安東石油
Antonoil

安東油田服務集團
Anton Oilfield Services Group

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3337)

幫助別人成功
自己就能成功
We succeed by helping
others to succeed

2008 Annual Report

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Luo Lin
Mr. Ma Jian
Mr. Pan Weiguo

Independent Non-executive Directors

Mr. Zhang Yongyi
Mr. Zhu Xiaoping
Mr. Wang Mingcai

AUDIT COMMITTEE

Mr. Zhu Xiaoping *(Chairman)*
Mr. Zhang Yongyi
Mr. Wang Mingcai

REMUNERATION COMMITTEE

Mr. Wang Mingcai *(Chairman)*
Mr. Zhu Xiaoping
Mr. Luo Lin

NOMINATION COMMITTEE

Mr. Zhang Yongyi *(Chairman)*
Mr. Wang Mingcai
Mr. Luo Lin

AUTHORIZED REPRESENTATIVES

Mr. Luo Lin
Mr. Ngai Wai Fung

COMPANY SECRETARY

Mr. Ngai Wai Fung (FCIS, FCS, CPA, ACCA)

COMPANY'S WEBSITE

www.antonoil.com

INVESTORS RELATIONS HOTLINE

+86 10 84717788-584
+852 29077108
email: ir@antonoil.com

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2109, Cosco Tower
183 Queen's Road Central
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN PRC

No. 8, Pingcui West Road, Donghuqu
Chaoyang District, Beijing, China 100102

REGISTERED OFFICE

PO Box 309GT, Ugland House
South Church Street
George Town, Grand Cayman
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House, 68 Fort Street
PO Box 75
George Town
Grand Cayman KY 1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

COMPLIANCE ADVISER

Guotai Junan Capital Limited
Rooms 2601-3, 26th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central
Hong Kong

LEGAL ADVISERS

as to Hong Kong and U.S. law:
Sidley Austin

as to PRC law:
Tian Yuan Law Firm

as to Cayman law:
Maples and Calder

PRINCIPAL BANKERS

China Merchants Bank
Shanghai Pudong Development Bank
Bank of Beijing

STOCK CODE ON MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

3337

DATE OF LISTING

14 December 2007

The following consolidated financial information is extracted from the consolidated financial statements of the Group, prepared under International Financial Reporting Standards:

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Year ended 31 December				
RMB ('000)	2004	2005	2006	2007	**2008**
Revenue	80,053	149,225	246,951	493,434	**763,266**
Other income/(losses), net	355	104	1,987	888	**(14,551)**
Operating costs	(53,929)	(101,406)	(164,104)	(360,951)	**(606,965)**
Operating profit	26,479	47,923	84,834	133,371	**141,750**
Finance costs, net	(172)	(556)	(1,384)	(6,546)	**(37,683)**
Profit before income tax	26,307	47,367	83,450	127,314	**105,418**
Profit for the year	26,211	45,744	78,497	113,157	**72,145**
Attributable to:					
Equity holders of the Company	26,211	43,792	76,651	113,000	**68,463**
Minority interests	—	1,952	1,846	157	**3,682**
Dividends	500	15,500	—	—	**57,000**

CONDENSED CONSOLIDATED BALANCE SHEETS

	As at 31 December				
RMB ('000)	2004	2005	2006	2007	**2008**
Assets					
Non-current assets	20,041	50,706	84,655	298,480	**617,863**
Current assets	71,854	130,123	421,337	1,542,495	**1,307,459**
Total Assets	91,895	180,829	505,992	1,840,975	**1,925,322**
Total Equity	53,378	97,902	305,753	1,389,769	**1,550,614**
Liabilities					
Non-current liabilities	—	—	—	42,545	**5,407**
Current liabilities	38,517	82,927	200,239	408,661	**369,301**
Total liabilities	38,517	82,927	200,239	451,206	**374,708**
Total equity and liabilities	91,895	180,829	505,992	1,840,975	**1,925,322**
Net current assets	33,337	47,196	221,098	1,133,834	**938,158**
Total assets less current liabilities	53,378	97,902	305,753	1,432,314	**1,556,021**

Chairman's Statement

Chairman
Luo Lin

Facing an unstable economic environment, Anton Oilfield still captured market opportunities successfully, achieved favourable operating results and maintained a highly rapid development trend of core businesses, its product positioning of providing one-stop technology service focused on well completion technology for domestic and external business development plans.

On behalf of the Board of Directors (the 'Board' or the 'Directors') of Anton Oilfield Services Group (the 'Company') , I am pleased to present all shareholders with the annual results of the Company and its subsidiaries (collectively referred to as the 'Group') for the year ended 31 December 2008.

ANNUAL REVIEW

Fast and steady growth in operating results

The year 2008 witnessed the outbreak of a severe global financial crisis, slowdown in global economy and dramatic fluctuations in oil price. In spite of such a turbulent economic environment, the Group managed to capture market opportunities to achieve satisfactory operating results and maintain fast development in the first year since its listing on the Main Board of the Stock Exchange of Hong Kong Limited (the 'Stock Exchange') (the 'Main Board'). In 2008, the Group's turnover grew by 54.7% to RMB763.3 million while the Company's operating profits grew by 6.3% to RMB141.8 million when compared to 2007. If excluding the impact of non-operating factors such as investment loss, amortization of options etc., operating profit was RMB 199.4 million, an increase of 49.5% when compared with 2007. Net profit after tax for the year attributable to equity holders of the Company amounted to RMB68.5 million, a decrease of 39.4% when compared to 2007. If excluding the impact of non-operating factors such as exchange and investment loss, amortization of options etc., profit attributable to equity holders of the Company reached RMB179.6 million, an increase of 58.9% when compared with 2007. As at 31 December 2008, the basic earnings per share was RMB0.03. Meanwhile, the working capital position of the Group was significantly improved. As at 31 December 2008, accounts receivable turnover days (exclude quality guarantee deposits and other deposits) were 172 days, decreased by 10 days as compared to 182 days in 2007. The Group has sufficient working capital to ensure fast and steady growth in the future.

Enhancement in core product and technology service capabilities

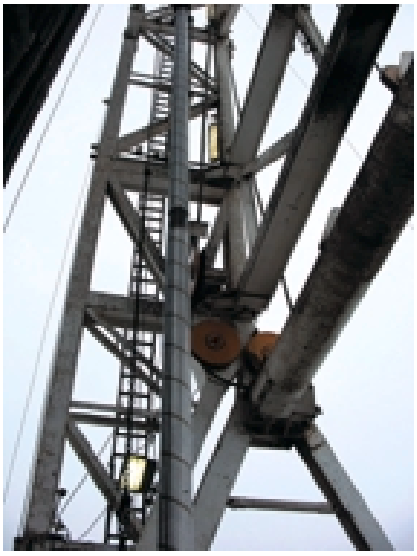
In 2008, the Group further strengthened its positioning as a light-asset technology service company. As the well completion technology utilized in the oil and gas field technology service sector of the People's Republic of China (the 'PRC' or 'China') is still at its initial stage, the Group established its product positioning of one-stop technology service focused on well completion technology by leveraging on its competitive strengths to reinforce its independent research and development ('R&D') and equipment input. In line with the above development strategy, the Group adjusted its business structure and reclassified its business in a more reasonable and accurate manner into four divisions, i.e., well completion technology, drilling technology, down-hole operation technology and oilfield tube and field support services. The proportion of our strategically-focused business has been increased.

For the development of core industry, the Group reserved a number of product and service projects in 2008, such as integrated drilling technology project, directional well project, coiled tubing operations project and tubular helium testing project. Such projects were still in the preparation stage in 2008 and their contributions to revenue and profit will be fully reflected in 2009.

Meanwhile, in line with the above-said industrial development strategy, the Group acquired Shandong Precede Petroleum Technology Company Limited ('Shandong Precede') in September 2008. The gravel pack sand-control technology of Shandong Precede further strengthened the Group's technology service capabilities in well completion. In 2008, the companies that the Group acquired included Beijing Hinen-Hitech Petroleum Technology Development Co., Ltd. ('Hinen-Hitech'), Beijing Huarme Petroleum Technology Co., Ltd. ('Huarme'), Jilin Dongxin Oil Engineering Technology Co., Ltd ('Jilin Dongxin') and Shandong Precede contributed 19.1% of the Group's total revenue. Jilin Dongxin and Shandong Precede contributed 9 and 4 months' revenues only in 2008 respectively due to the timing of acquisition and will contribute their full year revenues in 2009.

Enlarging domestic market share and establishing overseas marketing network

In 2008, the Group further enhanced its marketing capability in domestic market by establishing clear and long-term strategic cooperative partnership with a number of oilfield clients on certain services. For example, well cementing technology and integrated drilling technology services for Daqing oilfield; fracturing and well cementing technology for Sichuan oilfield; tubular helium testing services for Tarium oilfield; gravel-packing well completion technology for Dagang oilfield; well cementing technology for Jilin oilfield; heavy oil well completion technology services for Liaohe oilfield. At the same time, the Group achieved remarkable breakthroughs in existing market and continuous expansion into new markets. For example, tubular helium testing for the southwestern region; rotary steering technology for Sinopec's southwestern branch; integrated drilling technology and LWD technology for Daqing oilfield; tubular helium testing for Tarim oilfield; gravel-packing well completion technology for Henan oilfield and Shengli oilfield



In addition to consolidating domestic market and expanding market shares, in 2008, the Group set up an international company based in Dubai. By successfully expanding into the Middle-East, Middle-Asia and South America markets, the Group preliminarily built an overseas marketing network and laid a solid foundation for market development in the future. In 2008, the sales in overseas markets (including sales to overseas markets through domestic agents) amounted to RMB79.5 million, representing 10.4% of the total sales revenue.

Reinforcement in R&D of core technologies with independent intellectual property rights

R&D capability and technical competence are essential to ensure the Group's fast and sustainable development. In 2008, the Group made greater effort in the integration of existing resources through Anton Design & Research Institute, continued to increase research investment in key fields and accelerated the commercialization of research results. For issues concerned by oilfields, the Group carried out a series of R&D projects in respect of, among others, deep well sidetracking technology, the horizontal well water control technology, high temperature thermal production packer and horizontal well controllable acidization technology. Most of technologies and related products have been launched successfully into the market and are well recognized by oilfield customers. In addition, the Group achieved remarkable results in our patent applications. In 2008, the Group obtained 65 patents approvals and as a result the total number of the Group's patents increased to 95. Meanwhile, the Group have 131 patents applications pending for approval.

Reinforcement in recruitment of talents

As the only non-government-owned oilfield services provider that has established a post-doctoral work station, the Group values talents as one of the most important resources for the Group's development. Through a competitive incentive mechanism for talents, the Group has attracted a large number of excellent talents and they have become the backbone for the Group's fast and steady development. In order to facilitate the implementation of future development strategy, the Group recruited a number of talents in key technical fields. In 2008, the Group has 1,158 employees in total increased by 395 compared to the same period of 2007. Among the newly recruited staffs, most of them are technical personnel working in the forefront of service providing.

OUTLOOK

In view of the complicated domestic and international economic situations, the growth in exploration investments of oil and gas companies in China may slightly decline, but their demand for high-end services remains high. In such market environment, the Group's competitive edge will be more visible, which are mainly reflected in the following aspects. Firstly, as a technological service company, the business of the Group is not greatly affected by such macro economic environmental factors such as oil prices, and demand for oilfield technological services in the market remained high. At the same time, the Group positions itself as a light asset company with a relatively low burden. Secondly, as compared to the market share of the Group, the overall oil and gas field technology services market is huge and provides plenty of room for the Group's future development. Thirdly, the Group's national marketing network enables us to better understand the needs of the local customers and offer low-cost solutions. In view of the above, the relatively competitive advantage of the Group has provided the Group with extremely advantageous conditions for expanding the local market and for exploring the international market at a low cost.

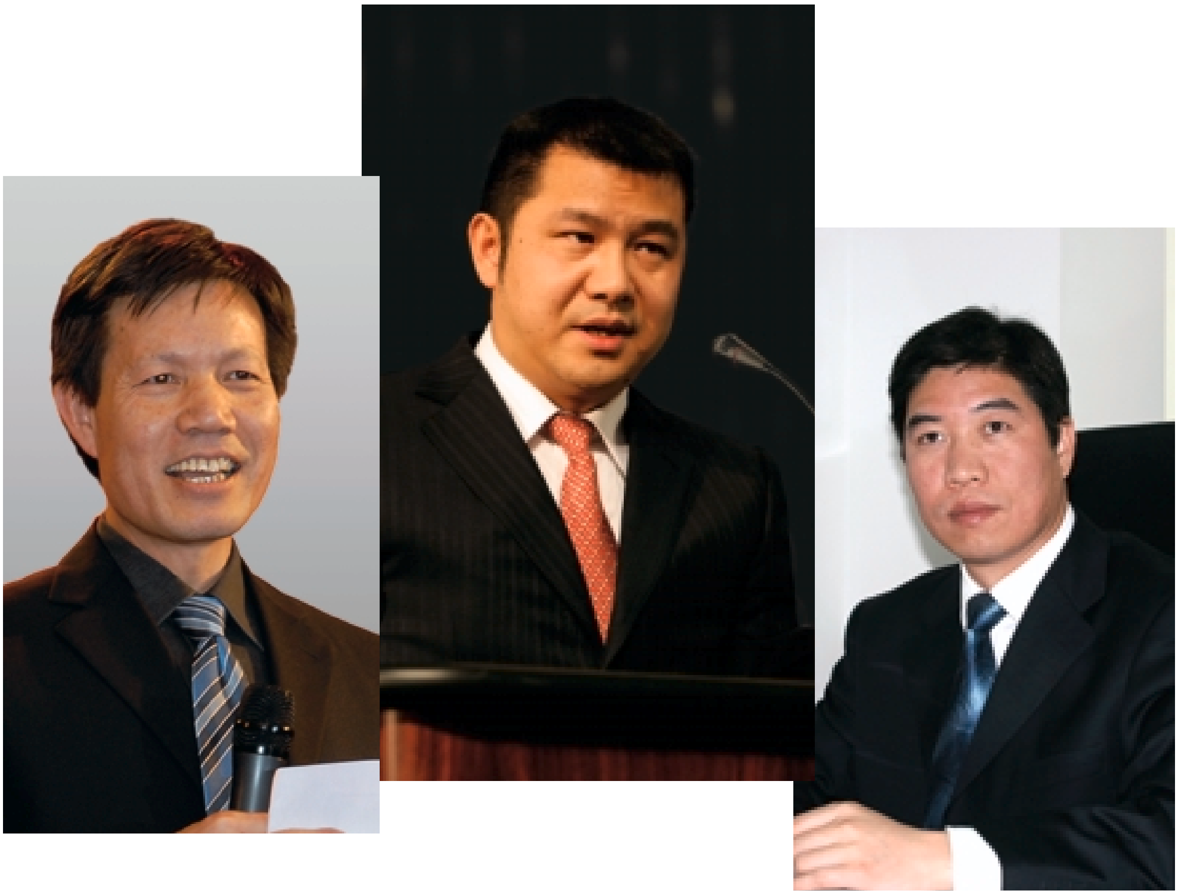
In the face of challenges, the Group will continue to leverage on its advantages in capital, talents and management. By investing more in independent R&Ds, recruiting more talents and prudently selecting mergers and acquisitions targets, the Group will further improve investment return, enhance profitability and strive to become a first-class one-stop service provider focusing on oil and gas well completion technology in the PRC.

APPRECIATION

On behalf of the Board, I would like to express our sincere gratitude to the people who contributed to the development of the Group. In 2009, we will continue to strive for outstanding results for our shareholders, customers, partners and staff!

Luo Lin
Chairman

Hong Kong, 24 March 2009



In 2008, Anton Oilfield continued to maintain its momentum of rapid growth as in the recent years. Operating income amounted to RMB763.3 million, representing an increase of 54.7%; excluding the impact of non-operating factors, operating profit was RMB199.4 million, representing an increase of 49.5%. During the year, the Group conducted systematic and scientific organization and reclassification of its business structure and product catalogue according to its long-term business development plans so that investors would have a better understanding of the business structure of the Group; enhanced construction of core products and technical services through merger and acquisitions, and commenced business in overseas markets while enlarging domestic market share as an additional driving force for future business growth.

INDUSTRY DEVELOPMENT

The outbreak of the international financial crisis in 2008 as well as the 'roller-coaster' oil prices during the same year have strongly affected China's economy. In November 2008, to counter the slowdown of the GDP growth in China caused by the global recession, the Chinese Government announced some major adjustments to the fiscal and monetary policies in China; more proactive fiscal and lossen monetary policies were implemented to lessen the impact of external economic crisis has on China's economy. To ensure steady and healthy growth in China's economy, the Chinese Government will inject RMB4 trillion in sectors such as energy, transportation, social security and infrastructure to boost domestic demands. We are fully confident that the economic growth in China will not be affected by the recent crisis in the long run, nor its huge demand for energy in the future. As such, although the market for oilfield services in China has been affected to a certain extent, demand from oilfield customers in the oilfield services industry has not changed dramatically and such customers still have great demand for technology services.

BUSINESS REVIEW

The Group is one of the leading privately-owned oilfield services providers in China. Our four business divisions – well services, drilling services, production services and field services, provide products and services covering the entire life cycle of oil and gas field development, including drilling, well completion and production.

In 2008, the Company continued to maintain its momentum of rapid growth in the recent years. Operating income amounted to approximately RMB763.3 million, representing an increase of 54.7% as compared with RMB493.4 million in 2007. Operating profit of the Company was approximately RMB141.8 million, representing an increase of 6.3% as compared with approximately RMB133.4 million in 2007. Net profit after tax for the year attributable to equity holders of the Company reached approximately RMB68.5 million, representing a decrease of 39.4% as compared with 2007. The decrease was mainly due to the following reasons: 1) exchange and investment loss. Prior to remittance of exchanged proceeds from the Initial Public Offering of shares (the 'IPO') exercise of the Company at the end of 2007, Renminbi ('RMB') appreciated significantly, causing an exchange loss of approximately RMB50.5 million. A large part of the said amount has been translated into RMB, hence greatly mitigating the exchange risks. In 2008, the Company bought a financial instrument from a bank. As at 31 December 2008, the above product's market value decreased, leading to an investment loss of approximately RMB18.1 million. 2) amortization of share options. Amortization of share options granted before IPO and after listing of the Company amounted to RMB35.4 million in 2008.

In 2008, the operating capital of the Company improved significantly. Receivables turnover days (exclude quality guarantee deposits and other deposits) were 172 days, representing a decrease of 10 days compared with 182 days in 2007.

Meanwhile, the Group conducted a reclassification of its business structure and product catalogue in 2008 according to its long-term business development plans. Businesses of the Group were classified into four main divisions: drilling technology, well completion technology, down-hole operation technology, oilfield tube and field support services. The Group will discuss and analyse its 2008 business based on the original business divisions and the new divisions respectively so that investors can have a better understanding of the business structure of the Company. The Group has also reclassified its 2007 operating results based on the new business divisions.

	Classification by original business divisions	Classification by new business divisions	Newly added items in 2008	
Drilling services	integrated drilling technology oilfield tube services	integrated drilling technology cementing technology	directional technology services	drilling technology division
Well services	well completion and sand control cementing technology integrated fracturing and acidization technology down-hole chemical materials	integrated well completion technology screen sand control technology production equipment and tools	gravel packing and sand control services	well completion technology division
Production services	production equipment and tools	integrated fracturing and acidization technology down-hole chemical materials well washing technology services	coiled tubing operation technology tubular helium testing technology	down-hole operation technology division
Field services	drill pipe leasing drilling tool repair coating well washing technology services ground construction	oilfield tube services drill pipe leasing drilling tool repair coating ground construction		oilfield tube and field support services division

CLASSIFICATION BY ORIGINAL BUSINESS DIVISIONS

Well Services

As a development focus of the Group, the well services division continued to experience a rapid growth in 2008. The revenue of this division reached RMB311.4 million, an increase of 49.4% when compared with RMB208.4 million in 2007.

Well services include well completion and sand control services and down-hole operation services. For well completion and sand control services, the Group acquired Shandong Precede in September 2008. Through this acquisition and the previous equally successful integration with Hinen-Hitech, the Group has established the widest variety of screen and ancillary tools for screen well completion; it now possesses the largest technologically-advanced gravel-packing well completion tools, the relevant know-how and the necessary supportive technology in China. During the year, the Group's self-developed water control well completion technology has proved successful in the trial use in the Jidong oilfield; well completion tools such as high temperature thermal production packers have begun to be used in the Liaohe oilfield and received favourable comments from customers. All these would contribute to the income of the Group in 2009.

In 2008, selective well completion services for which the Group began to prepare relevant resources in 2007 became a new growth driver. The Group provided well completion services for 64 wells. In 2008, sales of the Group's sand screens was 115,612 meters, compared to 49,245 meters in 2007. With further increase in product types of the Group's well completion technology services, the Group has developed its leading 'one-stop' service capacity of well completion in China.

For down-hole operation services, following the successful consolidation of Jilin Dongxin in 2008, the Group's down-hole operation services capability has been further enhanced. During the year, the Group performed 586 acidization, fracturing and chemical EOR (enhanced oil recovery) operations. Of such operations, the Group targeted the horizontal wells located in rugged terrain in the oil and gas fields of the Sichuan region and successfully carried out graded fracturing operations which had a higher demand for technological expertise and presented greater difficulties. At the same time, the Group also completed 15 cementing jobs as well as providing down-hole tools, drilling fluid, killing fluid and micro glass bubble products and services. During the year, the Group also purchased coil tubing trucks to reserve resources for the provision of coil tube related services such as coil tube acidization operations, multi-layer fracturing operations, etc. in 2009.

Drilling Services

Total revenue from the drilling services division amounted to RMB262.2 million, representing an increase of RMB104.6 million or 66.4% from RMB157.6 million in 2007.

Drilling services include integrated drilling technology services and oilfield tube services. In 2008, the drilling services division introduced drilling technology integration and drilling project management services, especially focused on providing drilling solutions for directional and horizontal wells with complex geological conditions. During the year, the Group successfully launched the aforesaid services to the oil and gas fields in northeastern regions. The services the Group provided for this region cover underbalanced drilling technology, pressure control technology and air drilling technology, which have effectively increased the drilling speed of machines, shortened drilling cycles and reduced drilling costs. Meanwhile, the Group has also initiated the LWD services targeting at high temperature gas wells. During the year, the Group carried out the first stage of its investment in directional well team and equipment, which prepared resources and laid a good foundation for the further development of drilling technology services in 2009. The new drilling technology service unit achieved RMB30.4 million in revenue, which represented an important step toward the Group's goal of becoming an "one-stop" oilfield services provider.

Oilfield tube services depend on the various service fields of the Group to sell drilling pipes and provide customers with services such as testing, repair services and advanced coating technology. Meanwhile, the Group has the largest professional testing and welding services team in China. For the year ended 31 December 2008, the Group has tested over 217,287 tools of various types.

Sales volume of main products:

	Unit	**2008**	2007
Drill pipe	tonne	**2,490**	1,040
Heavy-weight drill pipe/collar	piece	**1,822**	1,978
Well-casing	tonne	**1,607**	1,600

Production Services

Production services refer to providing oilfield customers with the down-hole completion tools and related equipment that they need during the oil production process. The production services division experienced a steady development in 2008. Revenue amounted to RMB65.0 million, representing an increase of RMB15.6 million or 31.6% compared to RMB49.4 million in 2007. With well-established brand and our own patented technologies, the division manufactures and sells anti-attrition and anti-corrosion polished rods, couplings and down-hole pumps. In 2008, the water power surging automatic device developed using the Group's patented intellectual property rights were widely used in the Daqing oilfield, the Shengli oilfield, the Jidong oilfield and the Jilin oilfield.

Sales volume of main products:

	Unit	**2008**	2007
Polished rod	piece	**6,010**	9,228
Coupling	piece	**95,532**	95,568
Pump	unit	**369**	511

Field Services

The Group's field services consist of a comprehensive range of on-site services offered to large oil and gas producing areas during exploration and production process of oil and gas field. Our primary services include drill pipe leasing, drilling tool repair, coating, well washing technology services and ground construction. In 2008, the Group introduced tubular helium testing in the Tarim Basin oilfield and the Sichuan oilfield, which were well received by local customers. The application of tubular helium testing is at its primary stage in China and the Group is leading in the application of this cutting edge technology in China. In 2008, field services revenue grew steadily to RMB124.7 million, representing an increase of RMB46.7 million or 59.9%, compared to approximately RMB78.0 million in 2007.

CLASSIFICATION BY NEW BUSINESS DIVISIONS

Drilling technology division

Products and services for the drilling technology division mainly include integrated drilling technology, directional technology services as well as cementing technology services. Of these, directional technology services is a business for which the Group newly started resources preparation in 2008. The difference between the original drilling services division and new drilling technology division is that the oilfield tube services under the former is now classified into oilfield tube and field support services division under the new business structure.

In 2008, income from the drilling technology division was RMB70.3 million, representing an increase of RMB37.2 million or 112.4% as compared with RMB33.1 million in 2007.

Well completion technology division

Products and services for the well completion technology division mainly include well completion technology integration, screen sand control technology, gravel-packing sand-proof technology, and production equipment and tools. Production services under the original business division are now included in the well completion technology division.

In 2008, income from the well completion technology division was RMB240.8 million, representing an increase of RMB88.2 million or 57.8% as compared with RMB152.6 million in 2007.

Down-hole operation technology division

Products and services for the down-hole operation technology division mainly include fracturing and acidization technology integration, coiled tubing operation technology, tubular helium testing technology, well washing technology and down-hole chemical materials etc. Of these, coiled tubing operation technology and tubular helium testing technology are projects for which the Group newly started the resources preparation in 2008.

In 2008, income from the down-hole operation technology division was RMB111.6 million, representing an increase of RMB39.5 million or 54.8% as compared with RMB72.1 million in 2007.

Oilfield tube and field support services division

Products and services for the oilfield tube and field support services division include field support services and oilfield tube services that depend on the service fields.

In 2008, income from the oilfield tube and field support services division was RMB340.6 million, representing an increase of RMB105.0 million or 44.6% as compared with RMB235.6 million in 2007.

MARKETING

In 2008, to develop the domestic market, the Group focused on further strengthening its strategic relationship with key oilfield customers and introducing new products and services to the market. The Group successfully introduced the integrated drilling technology services to the oil and gas fields such as those in Daqing and Sichuan. The Group's well completion technology has overcome intense competition and generated profits in the oilfields of Dagang and Shengli, while the application of the Group's down-hole technology has been further consolidated and refined in the Sichuan area. The Group's domestic market share has been further increased. In respect of marketing to key customers, the Group provided rotary steering service to the South-West oilfield under Sinopec and significantly shortened the drilling cycle. At the same time, following its acquisition of Shandong Precede, the Group successfully entered the market of the Nanyang oilfield and Shengli oilfield under Sinopec with its advanced gravel-packing well completion technology. In the future, the Group will put greater effort in expanding the above business areas and their contribution to our income will be seen gradually.

In terms of international market expansion, the Group established Anton Oilfield Services International Company Limited in July 2008, with its overseas markets covering, among others, Central Asia, Middle East and South America. In 2008, the Group's sales to overseas market reached RMB50.6 million (RMB28.9 million of sales in PRC was sold through domestic agents to eventual oversea markets. If taking this into consideration, the total amount of sales to oversea markets will be RMB79.5 million), primarily from providing well completion and well cementing tools and services, providing testing and welding services as well as selling sand screens.

Revenue by region:

	2008	2007
North China	**18.6%**	28.0%
Northwest China	**32.8%**	28.7%
Northeast China	**18.7%**	16.7%
Southwest China	**20.3%**	22.7%
Overseas	**6.6%**	–
Others	**3.0%**	3.9%

RESEARCH AND DEVELOPMENT

As a leading oilfield services provider in China, the Group has always been emphasising on R&D of proprietary products and technologies. By consolidating R&D resources through Anton Research and Design Institute, the Group established the technology development strategy of "taking oil and gas well completion as the core to form one-stop service capabilities" and the operation strategy of "solution design and technical integration as core business driving supporting service capabilities".

In 2008, the Group obtained approval for 65 patents and the total number of patents registered by the Group reached 95. Meanwhile, the Group has 131 patent applications pending for approval. The Group has also conducted several product technology R&D projects, such as deep well sidetracking technology under the drilling technology area, water control and sand control technology and high-temperature proof packer under the well completion technology area, and horizontal well sand-picking under the down-hole operation technology area, etc. Most of the said technologies have been successfully marketed as products and begun to make profit.

On 18 December 2008, the Group's subsidiaries Anton Oilfield Services (Group) Limited ('Anton Oil'), Beijing Tongsheng Well Engineering Technology Limited ('Tongsheng Well') and Hinen-Hitech passed the review by the relevant government departments regarding the ascertainment as Hi-tech Enterprises. After the expiry of public notification period, these subsidiaries have enjoyed a 15% preferential income tax rate.

HUMAN RESOURCES

Human resources has always been one of the key factors in supporting our long-term growth. As of 31 December 2008, the Group has a total of 1,158 employees, of which there were 72 sales staff, 418 technical staff, 497 on-site service staff, and 171 functional management staff. Going forward, the Group will continue its effort to attract high-quality professionals in every area of business, especially personnel with sophisticated technological skills in order to assist the rapid and stable growth of the Group in the future.

The determination of the remuneration of employees of the Group is based on the individual performance, nature and responsibilities and the performance of the Group. The Group periodically reviews and assesses its human resource requirements and the prevailing market trend and makes appropriate adjustment.

OUTLOOK

Looking to 2009, the management of the Group believes that although the complicated domestic and foreign economic environments will affect the oil industry, there will not be any significant change to the production volume of oil and gas companies in China. Their up-stream investments in exploration and production will be maintained appropriately at the same level as that in 2008, and their demand for technology services will not reduce either.

As a technology service company, the relative competitive advantage of the Group under the new trend will be more visible. Firstly, the Group positions itself as a light-asset company with relatively low burden; secondly, opposite to the small market share of the Group, the extensive oil and gas field technology market provide the Group with ample room for development; thirdly, the Group has established a national operation and marketing network, which enables it to better understand the needs of its customers and provide them with low-cost solutions. The Group will make good use of these advantages to further increase its market share in China and pave the way for its further expansion into the international market.

Looking forward, the Group will continue to emphasise its position as a 'one-stop' service provider focusing on well completion while striving for its solid development and become a leading one-stop provider of oil and gas field services in China through continuous recruitment of talents, independent R&D, technical cooperation as well as mergers and acquisitions.

FINANCIAL REVIEW

Revenue

The Group's revenue in 2008 amounted to RMB763.3 million, representing an increase of RMB269.9 million or 54.7% compared to 2007. The substantial increase in our revenue was mainly attributable to the rapid growth of revenue from well completion technology division and drilling technology division.

Costs of Materials

The costs of materials increased from approximately RMB240.7 million to RMB344.0 million, representing an increase of 42.9%. The increase was mainly due to the change of overall revenue mix and the increase of material costs of the drilling services.

Staff Costs

Staff costs amounted to approximately RMB126.1 million, representing an increase of RMB76.2 million or 152.7% from RMB49.9 million in 2007. This was mainly due to the increase in the total number of the Company's staff. Meanwhile, the increase in the proportion of senior technical professionals and RMB35.4 million amortization of share options awarded before and after the IPO also led to increase in staff costs.

Operating Lease Expense

Operating lease expense was approximately RMB24.1 million, representing an increase of RMB14.4 million from 2007. The increase was due to the increase of leased equipment used in well services.

Depreciation and Amortization

Depreciation and amortization amounted to approximately RMB25.7 million, representing an increase of RMB15.1 million or 142.5% from RMB10.6 million in 2007. The increase was mainly attributable to additional machinery and equipments that were added in the casing plant and Huairou manufacturing plant, as well as the increase in amortization and depreciation of intangible assets and fixed assets resulted from the acquisition of Hinen-Hitech, Jilin Dongxin and Shandong Precede.

Other Operating Costs

Other operating costs arrived at RMB87.1 million, representing an increase of RMB37.1 million or 74.2% compared to RMB50.0 million in 2007. The increase was mainly attributable to the overall expansion of the Group's businesses.

Operating Profit

As a result of the foregoing, the operating profit in 2008 arrived at approximately RMB141.8 million, representing an increase of approximately RMB8.4 million or 6.3% compared to RMB133.4 million in 2007. The operating profit margin was 18.6% in 2008, representing a decrease of 8.4% from 27.0% in 2007. The fall in operating profit margin was mainly due to (1) the rise in material costs for drilling services; (2) the increase of staff costs, of which, amortisation of share options granted before and after the IPO amounted to RMB35.4 million; and (3) a financial instrument from a bank the Group bought in 2008 decreased in the market value, leading to an investment loss of RMB18.1 million. If impacts of non-operating factors (2) and (3) are excluded, the operating profit margin in 2008 would be 25.6%.

Net Finance Costs

Net finance costs were approximately RMB37.7 million, increased by approximately RMB31.2 million compared to RMB6.5 million in 2007. The sharp increase was mainly due to a RMB50.5 million foreign exchange loss recognized during the year. The RMB appreciated sharply during the first few months of 2008, while the Group was holding the funds raised through its IPO completed in December 2007 in US dollars and HK dollars. The IPO proceeds have been mostly converted into RMB as of the end of June 2008.

Income Tax Expense

Income tax expense amounted to RMB33.3 million, representing an increase of approximately RMB19.1 million from 2007, mainly because of (1) total pre-tax profits of the Group's subsidiaries in the PRC increased during the year; (2) preferential tax treatments for certain subsidiaries in the PRC are being phased out during the year; and (3) staff costs relating to share options and foreign currency losses incurred by the Group's overseas companies could not be used to offset profit generated in the PRC.

Profit for the Year

As a result of the foregoing, the Group's profit for 2008 was approximately RMB72.1 million, representing a decrease of approximately RMB41.1 million or 36.3% over the same period of 2007.

Profit Attributable to Equity Holders of the Company

The Group's profit attributable to equity holders of the Company amounted to approximately RMB68.5 million, representing a decrease of RMB44.5 million or 39.4% over the same period of 2007.

Trade Receivables

As of 31 December 2008, the Group's net trade receivables were approximately RMB443.3 million, representing an increase of RMB125.8 million compared to the end of 2007, mainly because of an increase in turnover. The average trade receivables turnover days (exclude quality guarantee deposits and other deposits) were 172 days, a decrease of 10 days when compared with 2007.

The Group set up a special committee with Chief Executive Officer as the chairman in the second half of 2007, with emphasis on improving our working capital management, especially the collection of account receivables. We set specific receivables collection target for each sales region, which is a key performance benchmark for the regional managers. In 2008, the Group collected RMB734.5 million, representing an increase of RMB323.9 million or 78.9% from 2007.

Inventory

As of 31 December 2008, the Group's inventory was approximately RMB202.6 million, representing an increase of RMB81.5 million compared to the end of 2007, mainly because that in 2008, the growth of well completion technology division and drilling technology division required many relevant tools. Due to the long delivery cycle of above tools, the group made a large quantity of purchases to prepare for the business development in 2009, which leads to the substantial increase of inventory.

LIQUIDITY AND CAPITAL RESOURCES

As of 31 December 2008, the Group's cash and cash equivalents amounted to approximately RMB307.9 million, representing a decrease of RMB668.8 million compared to the end of 2007, mainly because the Group deployed the cash raised through its IPO into its operations, short-term investments and capital expenditure programs. As of 31 December 2008, the Group also had term deposits with initial terms over three months of RMB115.1 million, structured deposit of RMB40 million and entrusted loans of RMB83.8 million.

The Group's outstanding short term bank loans at the end of 2008 amounted to approximately RMB7 million. A domestic bank granted the Group a credit facility of RMB200 million, of which RMB162.9 million undrawn.

As at 31 December 2008, the gearing ratio of the Group was 8.0%, representing an decrease of 6% compared to the gearing ratio of 14% in the same period of 2007, this was mainly due to the Group has settled some of its short-term bank loans. Gearing ratio is calculated as net debt divided by total capital. Net debt includes borrowings and trade and notes payables. Total capital is calculated as equity plus net debt.

The equity attributable to the Company's equity holders increased from RMB1.38 billion at the end of 2007 to RMB1.52 billion at the end of 2008. The increase was mainly due to the after tax profit during the year ended 31 December 2008 and issue additional shares under the exercise of over-allotment option in 2008.

EXCHANGE RISK

The Group mainly conducts its business in RMB. Only a small quantity of imported and exported goods need to be settled in foreign currencies. The Group is of the opinion that the exchange risk involved in these collection and payments is insignificant. The exchange risk of the Group mainly comes from its foreign currency deposits in US dollars. The fluctuation in RMB exchange rate against US dollars may have a negative impact on the Group's operating results and financial position. As of the end of 2008, the Group had foreign currency deposits equivalent to RMB47.1 million. Appreciation of RMB would result in exchange loss in those bank balances and other assets denominated in foreign currencies. During the year ended 31 December 2008, the Group did not use any derivatives to hedge against the risk of foreign exchange fluctuations.

CASHFLOW FROM OPERATING ACTIVITIES

Cash inflow from operating activities in 2008 was approximately RMB23.0 million, compared with a cash inflow of RMB24.6 million in 2007, this change is mainly because the Group's operating expenses increased with the development of its business.

CAPITAL EXPENDITURE AND INVESTMENT

The Group's capital expenditure for 2008 was approximately RMB335.7 million. During the year ended 31 December 2008, the Group acquired Jilin Dongxin and Shandong Precede for a consideration RMB36.7 million and RMB160 million respectively, of which RMB132.6 million has been paid in 2008.

The capital expenditure also includes approximately RMB82.4 million, primarily for installment payments on acquisition of Hinen-Hitech and Huarme.

The Group also invested RMB63.6 million in core technical service projects of divisions, which mainly include directional well projects, coiled tubing operation projects, testing and surfacing of wearable zone projects and tubular helium testing projects.

In 2009, the budgeted capital expenditure is approximately RMB300 million, mainly for the purposes of equipment procurement, service base construction and upgrade, continous investment on core technical service projects and installment payment for the disclosed acquisitions.

CONTRACTUAL LIABILITY

The Group's contractual commitments consist primarily of payment obligations under our operating lease arrangements for offices and certain equipment and machinery. The Group's operating lease commitments amounted to RMB22.9 million as of 31 December 2008.

Capital commitments of the Company related to investments in property, plant and equipment at the balance sheet date but not yet provided for in the balance sheets amounted to RMB1.4 million.

CONTIGENT LIABILITIES

As of 31 December 2008, the Group did not have any material contingent liabilities or guarantees.

OFF-BALANCE SHEET ARRANGEMENTS

As of 31 December 2008, the Group did not have any off-balance sheet arrangement.

The Board of the Company is pleased to present the Directors' Report together with the audited financial statements of the Group for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The Group provides high-end oilfield services and products in the areas of well services, drilling services, production services and field services covering the entire life cycle of oil and gas field development.

RESULTS OF OPERATIONS

The financial results of the Company for 2008 are set out in page 42 to 109 of this Annual Report.

FIVE YEAR FINANCIAL SUMMARY

The five year financial summary of the Company is set out in the section "Financial Summary" of this Annual Report.

DIVIDENDS

At the Board meeting held on 24 March 2009, the Board recommended a final dividend to be paid out of the share premium account of the Company in respect of the year ended 31 December 2008 of RMB0.02723 per share, totalling RMB57.0 million (2007: Nil).

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 9 to the consolidated financial statements of this Annual Report.

MAJOR CUSTOMERS AND SUPPLIERS

The largest customer and the five largest customers of the Company accounted for approximately 11.6% and 36% respectively of the Company's revenues for the year ended 31 December 2008.

For the year ended 31 December 2008, the total amount of purchases made by the Company from its five largest suppliers amounted to RMB308.1 million, and accounted for 53.4% of the total purchases for the year. The amount of purchases from the largest supplier amounted to RMB239.4 million, and accounted for 41.5% of the total purchases for the year. As far as the Company is aware, none of the Directors, their associates and shareholders who are interested in more than 5% of the share capital of the Company has any interest in the five largest suppliers and customers.

PROPERTY, PLANT AND EQUIPMENT

Additions to the property, plant and equipment of the Company for the year ended 31 December 2008 totaled RMB105.5 million. Details of movements are shown under Note 6 to the consolidated financial statements of this Annual Report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 16 to the consolidated financial statements of this Annual Report.

PRE-EMPTIVE RIGHTS

There is no provision regarding pre-emptive right under the Articles of Association of the Company and the Cayman Islands laws, which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the year ended 31 December 2008, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

RESERVES

Details of movements in the reserves of the Company during the year ended 31 December 2008 are set out in Note 17 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2008, the aggregate amount of reserves which is available for distribution to the equity shareholders of the Company was RMB308.9 million.

DIRECTORS

The Board of the Company during the year and up to the date of this Annual Report are:

Executive Directors

Mr. Luo Lin	(appointed on 3 August 2007)
Mr. Ma Jian	(appointed on 3 August 2007)
Mr. Pan Weiguo	(appointed on 3 August 2007)

Independent Non-executive Directors

Mr. Zhang Yongyi	(appointed on 17 November 2007)
Mr. Zhu Xiaoping	(appointed on 17 November 2007)
Mr. Wang Mingcai	(appointed on 17 November 2007)

The biographical details of the Directors and senior management are set out under the section "Profiles of Directors and Senior Management" of this Annual Report.

In accordance with Article 130 of the Articles of Association, and the letters of appointment for all Independent Non-executive Directors of the Company, Mr. Zhang Yongyi, Mr. Zhu Xiaoping and Mr. Wang Mingcai being eligible, have offered themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of Mr. Luo Lin, Mr. Ma Jian and Mr. Pan Weiguo, being the Executive Directors, has entered into a service contract with the Company for a term of three years commencing from 14 December 2007, which may be terminated by not less than 3 months' notice in writing served by either party on the other.

The letter of appointment of each of Mr. Zhang Yongyi, Mr. Zhu Xiaoping and Mr. Wang Mingcai, being the Independent Non-executive Directors, has been renewed by the Company for a term of one year commencing from 15 December 2008, which may be terminated by not less than 3 months' notice in writing served by either party on the other.

Save as disclosed above, no Director for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation other than the normal statutory compensation.

DIRECTORS' INTEREST IN MATERIAL CONTRACTS

There was no contract of significance connected to the business of the Group to which the Company, its subsidiaries, or its holding company or any of its fellow subsidiaries was a party and in which any director of the Company had a direct or indirect material interest, subsisting at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors and their respective associates (as defined in the Rules Governing The Listing of Securities on the Stock Exchange (the 'Listing Rules')) has an interest in any business which competes or may compete with the business in which the Group is engaged.

Pro Development Holdings Corp., which is beneficially controlled by Mr. Luo Lin, the Executive Director, and Mr. Luo Lin is the controlling shareholder of the Company.

The controlling shareholder and the Executive Directors have provided an annual confirmations in respect of the compliance with non-competition undertaking given by them.

The Independent Non-executive Directors have also reviewed the compliance by the controlling shareholder and the Executive Directors with the Non-competition Undertaking. The Independent Non-executive Directors have confirmed that, as far as they can ascertain, there is no breach by any of the controlling shareholders and the Executive Directors of the Non-competition Undertaking given by them.

REMUNERATION OF DIRECTORS

In compliance with the Code on Corporate Governance Practices (the 'Code') as set out in Appendix 14 to the Listing Rules, the Company has established a remuneration committee to formulate remuneration policies. Directors' remuneration are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' duties and responsibilities, the recommendations of the remuneration committee and the performance and results of the Group. Details of the remuneration of the Company's Directors are set out in Note 26 to the consolidated financial statements of this Annual Report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the Independent Non-executive Directors and the Company considers that Mr. Zhang Yongyi, Mr. Zhu Xiaoping and Mr. Wang Mingcai to be independent.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATION

As at 31 December 2008, the interests and short positions of each Director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers of the Listing Rules (the "Model Code") were as follows:

(i) Long positions in ordinary shares of HK$0.10 each:

Name of director	Note	Capacity	Number of ordinary shares	Approximate percentage of shareholdings
Luo Lin	1	Founder of a discretionary trust	689,146,150	32.93%
Ma Jian	2	Founder of a discretionary trust	87,850,550	4.20%
Pan Weiguo	3	Beneficiary of a trust	10,612,080	0.51%

Notes:

1. Mr. Luo Lin is the founder of the Loles Trust, which is indirectly interested in the entire issued share capital of Pro Development Holdings Corp., which in turn is interested in 689,146,150 shares of the Company. Mr. Luo Lin and his family members are the beneficiaries of the Loles Trust.

2. Mr. Ma Jian is the founder of the Brewster Trust, which is indirectly interested in 60.4% of the issued share capital of Anton Management Development Holdings Corp., which in turn is interested in 87,850,550 shares of the Company. Mr. Ma Jian and his family members are the beneficiaries of the Brewster Trust.

3. The interest shown is the vested interest in the Company as declared by Mr. Pan Weiguo on 8 September 2008. Mr. Pan Weiguo is one of the beneficiaries of Anton Harmony Trust, a discrtionary trust established by Mr. Pan and certain other employees to hold their interest in the Company. Prior to 8 September 2008, Mr. Pan was deemed to be interested in all the shares held under the Anton Harmony Trust, which was 221,241,825 shares, representing 10.57% of the issued share capital of the Company.

(ii) Long positions in underlying shares of share options:

The Directors of the Company have been granted options under the Company's share option scheme, details of which are set out in the section "Share Option Scheme" below.

Save as disclosed above, at no time during the year ended 31 December 2008, the Directors and chief executive (including their spouses and children under 18 years of age) had any interests in, or had been granted, or exercised, any rights to subscribe for shares of the Company and its associated corporations required to be disclosed pursuant to the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, so far as is known to any Director or the chief executive, the shareholders, other than the Directors or the chief executive of the Company, who had an interest or short positions in the shares or the underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the shares or underlying shares of the Company:

Name	Note	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Credit Suisse Trust Limited	1, 2, 3	Trustee	849,244,900	40.57%
Seletar Limited	1, 2, 3	Trustee	849,244,900	40.57%
Serangoon Limited	1, 2, 3	Trustee	849,244,900	40.57%
Avalon Assets Limited	1	Trustee	689,146,150	32.93%
Pro Development Holdings Corp.	1	Beneficial owner	689,146,150	32.93%
Elyon Limited	2	Trustee	160,098,750	7.65%
Forever Mark Group Limited	2	Beneficial owner	160,098,750	7.65%
Chengwei Anton Holdings Inc.	4	Beneficial owner	188,606,740	9.01%
Chengwei Ventures Evergreen Fund, LP	4	Interest of controlled corporation	188,606,740	9.01%
Chengwei Ventures Evergreen Management, LLC	4	Interest of controlled corporation	188,606,740	9.01%
EXL Holdings, LLC	4	Interest of controlled corporation	188,606,740	9.01%
Li Eric Xun	4	Interest of controlled corporation	188,606,740	9.01%
Li Zhu Yi Jing	4, 5	Interest of spouse	188,606,740	9.01%
China Harvest Fund, L.P.	6	Interest of controlled corporation	375,000,000	17.92%
China Renaissance Capital Investment, L.P.	6	Interest of controlled corporation	375,000,000	17.92%
China Renaissance Capital Investment GP	6	Interest of controlled corporation	375,000,000	17.92%
Erdos Holding Company Limited	6	Beneficial owner	375,000,000	17.92%

Notes:

1. The 689,146,150 shares referred to the same batch of shares.

2. The 160,098,750 shares referred to the same batch of shares.

3. The 849,244,900 shares, which is the sum of two batches of 689,146,150 shares and 160,098,750 shares as mentioned in notes 1 and 2 above, referred to the same batch of shares.

4. The 188,606,740 shares referred to the same batch of shares.

5. Ms. Li Zhu Yi Jing is Mr. Li Eric Xun's spouse.

6. The 375,000,000 shares referred to the same batch of shares.

Save as disclosed above, as at 31 December 2008, so far was known to the Directors, no other persons (other than the Directors or chief executives) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company conditionally adopted its share option scheme on 17 November 2007 (the "Share Option Scheme") and shall be valid and effective for a period of 10 years from that date, subject to early termination by the Company in a general meeting or by the Board. The purpose of the Share Option Scheme is to grant option to the eligible participants in recognition and acknowledgement of their contributions made or to be made to the Group. Under the Share Option Scheme, the Board may offer to grant an option to any director or employee, or any advisor, consultant, suppliers, customers or agents.

The shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares in issue from time to time. The maximum number of shares available for issue under options which may be granted under the Share Option Scheme or other share option scheme adopted by the Company must not in aggregate exceed 5% of the shares in issue immediately following completion of the IPO of the Company (but taking no account of any shares which may be allotted or issued pursuant to the exercise of the over-allotment option), being 103,362,500 shares. As at the date of this annual report, the number of shares available for issue and remained outstanding under the share option scheme was 17,800,000 shares (2007: 0 shares) representing 0.85% (2007: 0%) of the issued share capital of the Company. The total number of shares issued and which may fall to be issued upon exercise of the options granted pursuant to the Share Option Scheme to an eligible participant in any 12-month period shall not exceed 1% of the number of shares in issue as at the date of grant unless approved by the shareholders in general meeting.

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be determined by the Board provided that it shall not be less than the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, (ii) the average of closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant, and (iii) the nominal value of a share. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant. An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

As at 31 December 2008, the Directors individually and other employees in aggregate of the Company had the following interests in options to subscribe for shares of the Company under the Share Option Scheme. Each option gives the holder the right to subscribe for one ordinary share of the Company of HK$0.10 each.

Grantees	Date of grant share options	Exercise period of share options (Note 1)	Exercise price per share HK$	Number of share options as at 1 January 2008	Number of share options granted during the year	Number of share options exercised during the year	Number of share options cancelled during the year	Number of share options lapsed during the year	Number of share options as at 31 December 2008
Directors									
Zhang Yongyi	3 Feb 2008	3 Feb 2009 to 2 Feb 2012	1.634 (Note 2)	–	1,400,000	–	–	–	1,400,000
Zhu Xiaoping	3 Feb 2008	3 Feb 2009 to 2 Feb 2012	1.634 (Note 2)	–	1,200,000	–	–	–	1,200,000
Wang Mingcai	3 Feb 2008	3 Feb 2009 to 2 Feb 2012	1.634 (Note 2)	–	1,000,000	–	–	–	1,000,000
Employees in aggregate	3 Feb 2008	3 Feb 2009 to 2 Feb 2012	1.634 (Note 2)	–	8,750,000	–	–	350,000	8,400,000
	27 Oct 2008	27 Oct 2009 to 26 Oct 2012	0.62 (Note 3)	–	6,000,000	–	–	–	6,000,000
				–	18,350,000	–	–	350,000	18,000,000

Notes:

1. The option period for the share options granted above commences on the date of grant and ends on the last day of forty-eight months counting respectively from the said date. The grantees are vested with, and entitled to exercise up to one-third , one-third and one-third of their share options during the option period commencing from each of first, second and third anniversaries of the date of grant.

2. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$1.63.

3. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$0.52.

PRE-IPO SHARE OPTION SCHEME

The Company adopted its pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") on 1 October 2007. The purpose and principal terms of the Pre-IPO Share Option Scheme are similar to those of Share Option Scheme, save as:

(i) the exercise price per share is HK$1.04, representing a discount of 44.68% to final offer price per share upon listing of the Company;

(ii) no options will be offered or granted upon the commencement of dealings in the shares on the Stock Exchange; and

(iii) the maximum number of shares in respect of which options may be granted under the Pre-IPO Share Option Scheme shall not exceed 86,025,000 shares, representing 4.16% of the total number of issued shares immediately following the commencement of dealings in the shares on the Stock Exchange.

Set out below are details of the outstanding options granted under the Pre-IPO Share Option Scheme:

Grantee	Note	Date of grant of share options	Number of share options as at 1 January 2008	Number of share options exercised/cancelled /lapsed during the year	Number of share options as at 31 December 2008
Employees in aggregate	1	2 Oct 2007	75,000,000	–	75,000,000
	2	9 Oct 2007	10,815,000	–	10,815,000
	3	16 Oct 2007	210,000	–	210,000
			86,025,000	–	86,025,000

Notes:

1. The option period for the share options granted commences on the date of grant and ends on the last date of the twenty-five months counting from the said date. The grantee is vested with, and entitled to exercise up to, 50% of his share options during the option period commencing from each of the first and second anniversaries of the date of grant.

2. The option period for the share options granted commences on the date and ends on the last date of the eight years counting from the said date. The grantee is vested with, and entitled to exercise up to 30%, 30%, 20%, 10% and 10% of his share options during the option period commencing from each of the first, second, third, forth and fifth anniversaries of the date of grant.

3. The option period for the share options granted commences on the date of grant and ends on the last date of the five years counting from the said date. The grantee is vested with, and entitled to exercise up to, all of her share options during the option period commencing from the first anniversary of the date of grant.

As at the date of this annual report, the number of shares available for issue and remained outstanding under the Pre-IPO Share Option Scheme was 78,454,500 shares (2007: 86,025,000 shares) representing 3.75% (2007: 4.11%) of the issued share capital of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors, the Company has maintained the sufficiency of public float requirement as specified in the Listing Rules to the date of this Annual Report.

TAXATION

For the year ended 31 December 2008, no foreign shareholder who is not resident of the PRC is liable for individual or Enterprise Income Tax, Capital Gains Tax, Stamp Duty or Estate Duty of the PRC in relation to their holding of shares of the Company. Shareholders are urged to consult their tax advisers regarding the PRC, Hong Kong and other tax consequences of owing and disposing of the Company's shares.

DONATION

For the year ended 31 December 2008, the Company contributed a total of RMB3.9 million as charitable and other donations including donations to the areas affected by Sichuan, China's earthquakes in May 2008. In the future, the Company will continue to fulfill its commitment to be an enterprise with sound social responsibilities.

CONNECTED TRANSACTIONS

The related party transactions for the year ended 31 December 2008 are set out in Note 33 to the Consolidated Financial Statements of this Annual Report.

POST BALANCE SHEET EVENTS

At a meeting held on 24 March 2009, the Board recommended a final dividend to be paid out of the share premium account of the Company in respect of the year ended 31 December 2008 of RMB0.02723 per share, totaling RMB57.0 million (2007: Nil). This dividend is subject to the approval of shareholders at the Annual General Meeting to be held on 26 May 2009, and compliance with the Companies Law of the Cayman Islands.

AUDIT COMMITTEE

Pursuant to the requirements of the Code and the Listing Rules, the Company has established an audit committee (the 'Audit Committee') comprising all three existing Independent Non-executive Directors, namely Mr. Zhu Xiaoping (Chairman of the Audit Committee), Mr. Zhang Yongyi and Mr. Wang Mingcai. The Audit Committee has reviewed the audited consolidated financial statements for the year ended 31 December 2008.

AUDITORS

The Company has appointed PricewaterhouseCoopers as the auditors of the Company for the year ended 31 December 2008. PricewaterhouseCoopers has conducted the audit of the financial statements which were prepared in accordance with International Financial Reporting Standards ("IFRS"). A resolution for their re-appointment as auditors of the Company for the year ended 31 December 2009 will be proposed at the forthcoming annual general meeting.

By the order of the Board

Luo Lin
Chairman

Hong Kong, 24 March 2009

EXECUTIVE DIRECTORS

Luo Lin (羅林), aged 42, is the Chairman and Chief Executive Officer and one of the founders of the Company. Mr. Luo graduated with a bachelor degree in well bore engineering from Southwest Petroleum Institute (西南石油學院) in 1992. He has accumulated 17 years of industry experience, including his work at the Tarim Basin Oil Field and as the Deputy General Manager of a subsidiary of the Southwest Petroleum Bureau (西南石油局) responsible for sales and marketing, prior to establishing Anton Oilfield Services (Group) Ltd in 2002. Mr. Luo is also qualified as a lawyer and a chartered accountant in the PRC.

Ma Jian (馬健), aged 41, is an Executive Director of the Company and one of the founders of the Company. Mr. Ma graduated with a bachelor degree in well bore drilling engineering from Jianghan Petroleum University (江漢石油學院) in 1991. He also holds a master degree in business administration from the Huazhong University of Science and Technology (華中科技大學). He is completing the doctoral degree at the China University of Petroleum and is a guest professor at Yangtze University (長江大學). From 1991 to 1999, he worked as a Petroleum Engineer at the drilling company in Jianghan Oilfield (江漢油田鑽井工程處). He worked at Halliburton China from 2000 to 2002 as a well bore Projects Manager. Mr. Ma has served as a Director since 2003, and is also responsible for sales and marketing in the Company. He has 18 years of experience in the petroleum industry.

Pan Weiguo (潘衛國), aged 46, is an Executive Director of the Company. Mr. Pan graduated with a bachelor degree in well bore drilling from Daqing Petroleum Institute (大慶石油學院) in 1984 and a master degree in 1990. He worked as Deputy Chief Engineer and Chief Engineer at China Petroleum North Petroleum Control Board Well Bore Drilling Research Institute (中石油華北石油管理局鑽井工藝研究院) from 1990 to 1996, and worked as the Deputy Head and Head of the same from 1996 to 2006. He has 19 years of experience in the petroleum drilling industry. Mr. Pan joined the Company in 2006 and is responsible for research and development and well services of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTRORS

Zhang Yongyi (張永一), aged 72, is an Independent Non-executive Director of the Company. Mr. Zhang has a wide range of experience in the petroleum industry. He had taught in the Southwest Petroleum Institute (西南石油學院) for more than 30 years. He was appointed as the Deputy General Manager of CNPC in 1992. He was appointed by the State Council of the PRC as inspector (國務院稽察特派員) in 1998 and Chairman of the Supervisory Committee for State-owned Large and Medium Enterprises (國有大中型企業監事會主席) in 2000.

Zhu Xiaoping (朱小平), aged 60, is an Independent Non-executive Director of the Company. Mr. Zhu has extensive experience in corporate finance. He is currently an Accounting Professor of the Renmin University of China (中國人民大學). He has served as the Director of the China Accounting Society (中國會計學會理事) and Director of the China Auditing Society (中國審計學會理事). Mr. Zhu is also a Director of Beijing Wandong Medical Company Limited (北京萬東醫療設備股份有限公司), Heilongjiang Agriculture Company Limited (黑龍江北大荒農業股份有限公司) and Tibet Rhodiola Pharmaceutical Holding Company Limited (西藏諾迪康藥業股份有限公司), all of which are listed on the Shanghai Stock Exchange. He is also an Independent Non-executive Director of Sanmenxia Tian Yuan Aluminum Company Limited (Stock Code: 8253), a company listed on the Growth Enterprise Market of the Stock Exchange.

Wang Mingcai (王明才), aged 64, is an Independent Non-executive Director of the Company. Mr. Wang has previously worked as the Vice Chief Engineer of Exploring and Development Bureau of China National Petroleum Company (中國石油天然氣總公司). He also held positions such as Vice General Manager of China National Oil & Gas Exploration and Development Corporation (中國石油天然氣堪探開發公司), President of CNPC Venezuela Corporation (中油國際委內瑞拉公司), Executive Director of CNPC (Hong Kong) Limited (Stock Code: 0135), a company that has been listed on the Main Board of the Stock Exchange since 2001. Presently, Mr. Wang is the General Manager and Chairman of the board of directors of Sino-U.S. Oil Development Corporation (中美石油開發公司).

SENIOR MANAGEMENT

Li Bingnan (李冰南), aged 40, is an Executive Vice President of the Company. Mr. Li graduated with a bachelor degree in well bore engineering from Jianghan Petroleum University (江漢石油學院) in 1991. Between 1991 and 2002, Mr. Li was employed by Jianghan Oil Bureau and in 2000, he was appointed as a Manager for the environmental protection plant of the Jianghan Oil Bureau. He has more than 18 years of experience in the oil and gas industry. Mr. Li joined the Company in 2002 and is responsible for oilfield services in the Company.

Fan Yonghong (范永洪), aged 38, is Executive Vice-president of the Company. Mr. Fan graduated from Chongqing Junior College of Petroleum in 1991 and graduated from China University of Petroleum in 1998, majoring in petroleum engineering. Being a petroleum engineer, Mr. Fan has 13 years of experience in the field of petroleum. Prior to joining the Company in 2004, he served as deputy section chief of Tarim Oilfield Company (塔里木油田分公司).

Tang Shenghe (湯勝河), aged 39, is an Executive Vice President of the Company. Mr. Tang graduated from the Anhui University (安徽大學) with a bachelor degree in economics and obtained a master degree in law from the Capital Economic and Trade University (首都經濟貿易大學). He has closed to 12 years of experience in accounting and finance. He worked as a Director of the Ministry of Agriculture Zhonglong Certified Public Accountants (農業部中龍會計師事務), and was a Senior Manager of Ernst & Young. He was also the Chief Accountant and Deputy General Manager of Beijing Caike Pharmaceutical (北京賽科藥業) and a Deputy General Manager of Beijing Pharmaceutical Group (北京醫藥集團) before joinging us in January 2007. Mr. Tang is responsible for finance and investment management.

Han Yanping (韓燕平), aged 36, is Executive Vice-president of the Company. Mr. Han is a master of engineering of Daqing Petroleum Institute. Mr. Han has 10 years of experience in petroleum drilling and exploration. Prior to joining the Company in 2001, he served as a manager of the service base of Xinjiang Huadi Company (新疆華地公司).

Han Jingli (韓景利), aged 40, is Executive Vice-president of the Company. Mr. Han graduated from Hebei Finance and Economics Institute (河北財經學院) with a bachelor degree in industrial corporate management in 1992 and received a MBA degree from China University of Mining and Technology in 2003. Mr. Han has 16 years of experience in accounting. Prior to joining the Company in 2008, he was a partner of Beijing Xinghua Accounting Firm (北京興華會計師事務所). Before that, he served as a manager and partners of other accounting firms.

COMPANY SECRETARY

Ngai Wai Fung (魏偉峰), aged 47, is the Company Secretary of the Company. Mr. Ngai is a Director and Head of listing services of KCS Hong Kong Limited, a corporate secretarial and accounting services provider in Hong Kong. He is currently Vice President of The Hong Kong Institute of Chartered Secretaries ('HKICS') and the Chairman of its Membership Committee. He is also a fellow of HKICS and the Institute of Chartered Secretaries and Administrators in United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants, a member of the Association of Chartered Certified Accountants in the United Kingdom, a member of Hong Kong Institute of Directors and a member of Hong Kong Securities Institute. Mr. Ngai holds a Master of Corporate Finance from The Hong Kong Polytechnic University, a Master of Business Administration from Andrews University of the United States and a Bachelor of Laws (with Honours) degree from the University of Wolverhampton, the United Kingdom. He is also pursuing a PhD (thesis stage) in Finance at Shanghai University of Finance and Economics.

Since the listing of its shares on 14 December 2007 on the Stock Exchange, the Company has been implementing the principles of the Code under Appendix 14 of the Listing Rules, and has been in compliance with all the applicable provisions of the Code (other than those deviating from Article A.2.1 of the provisions of the Code).

Under the structure of the existing Board of Directors, there are three Executive Directors and three Independent Non-executive Directors to ensure the independent and objective running of the Board, and the relevant board committees play an important role in the Company's decision-making, monitoring and advisory work.

DIRECTORS' SECURITIES TRANSACTIONS

The Directors of the Company has adopted the Model Code as the code of practice for carrying out securities transactions by the Directors. After specific enquiry with all members of the Board, the Company confirms that all directors have fully complied with the relevant standards stipulated in the above-mentioned rules during the reporting year.

CORPORATE GOVERANCE STRUCTURE

As the core of corporate governance for the Company, the Board has distinct duties from those of the management. The Board is responsible for providing guidelines to and effective supervision of the management, while the management is in charge of executing established strategies and directions. Generally speaking, the Board is responsible for:

- Formulating long term strategies of and supervising their execution of the Group, its subsidiaries and associated companies
- Approval of operational plan and financial budget
- Approval of the relevant annual and interim results
- Review and monitoring the risk management and internal control of the Group
- Ensuring good corporate governance and compliance

The Board authorized the management to execute established strategies and directions, the management is in charge of daily operation and reports to the Board. Accordingly, the Board has set out clear written guidelines, in particular it clearly determined the scope of authority of the management, and those items requiring the Board's approval.

BOARD OF DIRECTORS

At present, the Board comprise three Executive Directors namely, Mr. Luo Lin, Mr. Ma Jian and Mr. Pan Weiguo and three Independent Non-executive Directors namely, Mr. Zhang Yongyi, Mr. Zhu Xiaoping and Mr. Wang Mingcai. The Chairman of the Company is Mr. Luo Lin.

Half of the members of the Board are Independent Non-executive Directors. The Company has received confirmation letters from all the Independent Non-executive Directors confirming their independence pursuant to Rule 3.13 of the Listing Rules. Consequently, the Board is of the opinion that all the current Independent Non-executive Directors comply with the relevant guidelines set out in Rule 3.13 of the Listing Rules, thus the Company regards all the Independent Non-executive Directors as independent parties.

The term of the Company for Executive Directors is three years and for Independent Non-executive Directors is one year. According to the Company's Articles of Association, one-third of the current directors shall resign by rotation (if the number of directors is not a multiple of three, then the nearest but not less than one-third) in each annual general meeting of shareholders. However, each Director must retire once at least every three years. The retiring Directors can be re-elected and continue to participate in the relevant meeting in the capacity as Director.

The Company set up the Audit Committee, Remuneration Committee and Nomination Committee on 17 November 2007. During the reporting year, the Company had convened eight Board of Directors' meetings, two Audit Committee meetings, one Remuneration Committee meeting and one Nomination Committee meeting.

Attendances of meetings by Directors during the year are set out in the table below:

Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings
	Meeting attendance/number of meetings			
Executive Director				
Mr. Luo Lin (Chairman of the Board of Directors and Chief Executive Officer)	8/8	N/A	1/1	1/1
Mr. Ma Jian	8/8	N/A	N/A	N/A
Mr. Pan Weiguo	8/8	N/A	N/A	N/A
Independent Non-executive Director				
Mr. Zhang Yongyi	8/8	2/2	N/A	1/1
Mr. Zhu Xiaoping	8/8	2/2	1/1	N/A
Mr. Wang Mingcai	8/8	2/2	1/1	1/1

Code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive officer of a company must be separated, and must not be assumed by one person. The Company does not separate the Chairman's and Chief Executive Officer's duties. Mr. Luo Lin served as both Chairman and Chief Executive Officer during the reporting period. Mr. Luo was the main founder of the Group, he has been responsible for the operational management since the Group's establishment, and has led the Group's expansion. Mr. Luo possesses rich petroleum industry experience and excellent operational management ability. The Board is of the view that continuing to have Mr. Luo to serve as Chief Executive Officer of the Company will safeguard the continuity of the operational management and can protect shareholders' interest.

To the best knowledge of the Company, neither members of the Board and the Chairman has any financial, business or family relationship with the Chief Executive Officer. They can all exercise independent judgment freely.

ACCOUNTABILITY AND AUDIT

The Directors understand that they must assume the responsibility of preparing the financial accounts of each year.

The declaration of duties by the Auditors of the Group on the Group's financial statements is contained on pages 40 and 41 of the Independent Auditor's Report.

The Group has set up the Internal Audit Department, the Legal Department and the Quality Control Department in charge of the internal control and risk management duties. The Executive Directors of the Company receive internal financial report and management report every month for monitoring the operational progress of each business department and making reasonable planning.

During the year, the Group has reviewed its internal control system. Based on the review, the Board was satisfied with the effectiveness of the current internal control system of the Group.

COMPLIANCE ADVISOR

The Group has appointed Guotai Junan Capital Limited as the Group's Compliance Advisor since listing, to provide guidance and recommendations regarding compliance with the Listing Rules and other relevant laws, regulations and best practices.

AUDIT COMMITTEE

The Company has set up the Audit Committee since 17 November 2007 which took effect upon listing of the Company. The major duties of the Audit Committee are to monitor the relationship between the Company and the external auditors, make proposals to the Board of Directors on the appointment, renewal and dismissal of the external auditors of the Group as well as the relevant remuneration and terms of appointment etc; review the Group's financial statements; supervise the financial reporting system and internal control management; review the scope, degree and effectiveness of the internal audit functions of the Group. The authority and duties of this Committee are clearly set out in its terms of reference. There are three members in the Audit Committee, all of them are the Group's Independent Non-executive Directors, namely Mr. Zhu Xiaoping, Mr. Zhang Yongyi and Mr. Wang Mingcai. Mr. Zhu Xiaoping is the Chairman of the Audit Committee.

During the year, the Audit Committee has convened two meetings.

An analysis of the remuneration for audit and non-audit services provided by the auditor appointed by the Group during the year is as follows:

	RMB'000
Audit services	3,700
Non-audit services	Nil

The Audit Committee recommended to the Board to renew the appointment of PricewaterhouseCoopers as the Company's auditors subject to shareholders' approval in the forthcoming annual general meeting.

REMUNERATION COMMITTEE

The Company has set up the Remuneration Committee since 17 November 2007 which took effect upon listing of the Company. The major duties of the Remuneration Committee are to review and determine the terms of remuneration, benefits, bonus and other allowances of the Directors and senior management, and submit proposals to the Board on the remuneration policy and structure of all the Directors and senior management officers of the Company. In addition, the Remuneration Committee will approve and monitor the execution of the Company's Share Option Scheme. The authority and duties of this Committee are clearly set out in its terms of reference, which specifies that it must be composed of at last three members, the majority of which must be Independent Non-executive Directors.

The Remuneration Committee comprises two Independent Non-executive Directors, Mr. Wang Mingcai and Mr. Zhu Xiaoping, and one Executive Driector, Mr. Luo Lin. Mr. Wang Mingcai is the Chairman of the Remuneration Committee.

During the year, the Remuneration Committee has convened one meeting.

NOMINATION COMMITTEE

The Company has set up the Nomination Committee since 17 November 2007 which took effect upon listing of the Company. The major duties of the Nomination Committee are to review the structure, number and composition of the Board; to submit proposals to the Board on the appointment of Chief Executive Officer; review the independence of the Independent Non-executive Directors and submit proposals to the Board. The authority and duties of this Committee are clearly set out in its terms of reference. The Nomination Committee is composed of two Independent Non-executive Directors, Mr. Zhang Yongyi and Mr. Wang Mingcai, and one Executive Director, Mr. Luo Lin. Mr. Zhang Yongyi is the Chairman of the Nomination Committee.

During the year, the Nomination Committee has convened one meeting.

INVESTOR RELATIONSHIP AND SHAREHOLDERS' EQUITY

Since its listing, the Group actively fosters communication with investors and professionals in the investment sector through conference calls and briefings in response to the enquiries of professionals in the investment sector (including institutional investors, analysts and the media).

The Board of Directors will provide clear and comprehensive information on the Group's results through the publication of annual and interim reports. Apart from receiving circulars, notices and financial reports by mail, shareholders can also visit the website of the Company (www.antonoil.com) for more information.

The Company encourages shareholders to attend shareholders' meetings. The Directors and management will attend the annual general meeting to answer queries about the Group's business. All shareholders have statutory authority to demand for convening an extraordinary general meeting and submit an agenda for consideration by shareholders. For convening such meeting, shareholders have to send a letter to the Company's principal place of business in Hong Kong, and make a request to the Company Secretary to convene a shareholders' meeting with the proposed agenda.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong
Telephone (852) 2289 8888
Facsimile (852) 2810 9888
pwchk.com

To the shareholders of Anton Oilfield Services Group

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Anton Oilfield Services Group ('the Company') and its subsidiaries (together, the 'Group') set out on pages 42 to 109, which comprise the consolidated and company balance sheets as of 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as of 31 December 2008, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 March 2009

Balance Sheets

As at 31 December 2008

		As at 31 December			
		Group		Company	
		2008	2007	**2008**	2007
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	**248,444**	147,346	**–**	–
Land use rights	7	**26,072**	15,101	**–**	–
Intangible assets	8	**291,186**	99,072	**–**	–
Investment in subsidiaries	9	**–**	–	**3,548,655**	2,862,439
Investment in a jointly controlled entity	10	**51,629**	34,109	**–**	–
Deferred income tax assets	21	**532**	2,852	**–**	–
		617,863	298,480	**3,548,655**	2,862,439
Current assets					
Inventories	11	**202,591**	121,088	**–**	–
Trade and notes receivables	12	**453,225**	319,001	**–**	–
Prepayments and other receivables	13	**194,757**	43,142	**85,990**	96,531
Financial assets at fair value through profit or loss	14	**33,859**	–	**33,859**	–
Restricted bank deposits	15	**–**	82,610	**–**	–
Term deposits with initial terms of over three months	15	**115,109**	–	**–**	–
Cash and cash equivalents	15	**307,918**	976,654	**37,891**	776,100
		1,307,459	1,542,495	**157,740**	872,631
Total assets		**1,925,322**	1,840,975	**3,706,395**	3,735,070

Balance Sheets

As at 31 December 2008

		As at 31 December			
		Group		Company	
		2008	2007	**2008**	2007
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	16	**197,411**	195,006	**197,411**	195,006
Reserves					
- Proposed final dividend	29	**57,000**	–	**57,000**	–
- Others	17	**1,265,084**	1,189,653	**3,432,518**	3,509,490
		1,519,495	1,384,659	**3,686,929**	3,704,496
Minority interest in equity		**31,119**	5,110	**–**	–
Total equity		**1,550,614**	1,389,769	**3,686,929**	3,704,496
LIABILITIES					
Non-current liabilities					
Other long-term payable		**–**	37,500	**–**	–
Deferred income tax liabilities	21	**5,407**	5,045	**–**	–
		5,407	42,545	**–**	–
Current liabilities					
Short-term borrowings	18	**7,000**	163,500	**–**	–
Trade and notes payables	19	**123,545**	60,217	**–**	–
Accruals and other payables	20	**215,934**	170,171	**19,466**	30,574
Current income tax liabilities		**22,822**	14,773	**–**	–
		369,301	408,661	**19,466**	30,574
Total liabilities		**374,708**	451,206	**19,466**	30,574
Total equity and liabilities		**1,925,322**	1,840,975	**3,706,395**	3,735,070
Net current assets		**938,158**	1,133,834	**138,274**	842,057
Total assets less current liabilities		**1,556,021**	1,432,314	**3,686,929**	3,704,496

Luo Lin
Executive Director

Ma Jian
Executive Director

The accompanying notes are an integral part of these financial statements.

Consolidated Income Statements

For the year ended 31 December 2008

	Note	Year ended 31 December 2008 RMB'000	2007 RMB'000
Revenue	22	**763,266**	493,434
Other (losses)/gains, net	24	**(14,551)**	888
Operating costs			
Material costs		**(343,977)**	(240,736)
Staff costs	26	**(126,143)**	(49,875)
Operating lease expenses		**(24,059)**	(9,734)
Depreciation and amortisation	23	**(25,722)**	(10,622)
Others		**(87,064)**	(49,984)
		(606,965)	(360,951)
Operating profit		**141,750**	133,371
Interest income		**18,015**	4,553
Finance expenses		**(55,698)**	(11,099)
Finance costs, net	25	**(37,683)**	(6,546)
Share of profit of a jointly controlled entity	10	**1,351**	489
Profit before income tax		**105,418**	127,314
Income tax expense	27	**(33,273)**	(14,157)
Profit for the year		**72,145**	113,157
Attributable to:			
Equity holders of the Company		**68,463**	113,000
Minority interest		**3,682**	157
		72,145	113,157
Dividends	29	**57,000**	—
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)			
basic and diluted	28	**0.03**	0.07

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Equity

For the year ended 31 December 2008

	Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Retained earnings RMB'000	Exchange differences RMB'000	Total RMB'000	Minority interest RMB'000	Total Equity RMB'000
		Equity attributable to the Company's equity holders								
As at 31 December 2006		–	–	150,518	16,933	135,428	–	302,879	2,874	305,753
Profit for the year		–	–	–	–	113,000	–	113,000	157	113,157
Capital injection	17(a)(i)	–	–	115,742	–	–	–	115,742	–	115,742
Shares issued for Reorganisation	16(a)(iii)	97	–	–	–	–	–	97	–	97
Issue of new shares	16(a)(iv)	49,052	873,606	–	–	–	–	922,658	–	922,658
Share issue expenses	17(a)	–	(80,238)	–	–	–	–	(80,238)	–	(80,238)
Capitalisation issue	16(a)(v)	145,857	(145,857)	–	–	–	–	–	–	–
Share option scheme	16(b)	–	–	10,756	–	–	–	10,756	–	10,756
Acquisition of subsidiaries	32	–	–	–	–	–	–	–	2,079	2,079
Transfer to statutory reserves	17(b)	–	–	–	3,925	(3,925)	–	–	–	–
Exchange differences		–	–	–	–	–	(235)	(235)	–	(235)
As at 31 December 2007		**195,006**	**647,511**	**277,016**	**20,858**	**244,503**	**(235)**	**1,384,659**	**5,110**	**1,389,769**
Issue of new shares	16(a)(vi)	**2,405**	**42,813**	**–**	**–**	**–**	**–**	**45,218**	**–**	**45,218**
Share issue expenses	17(a)	**–**	**(3,406)**	**–**	**–**	**–**	**–**	**(3,406)**	**–**	**(3,406)**
Share option scheme	16(b)	**–**	**–**	**35,403**	**–**	**–**	**–**	**35,403**	**–**	**35,403**
Profit for the year		**–**	**–**	**–**	**–**	**68,463**	**–**	**68,463**	**3,682**	**72,145**
Acquisition of subsidiaries	32	**–**	**–**	**(10,535)**	**–**	**–**	**–**	**(10,535)**	**22,327**	**11,792**
Share of reserve of a jointly controlled entity	10	**–**	**–**	**(211)**	**–**	**–**	**–**	**(211)**	**–**	**(211)**
Transfer to statutory reserves	17(b)	**–**	**–**	**–**	**4,093**	**(4,093)**	**–**	**–**	**–**	**–**
Exchange differences		**–**	**–**	**–**	**–**	**–**	**(96)**	**(96)**	**–**	**(96)**
As at 31 December 2008		**197,411**	**686,918**	**301,673**	**24,951**	**308,873**	**(331)**	**1,519,495**	**31,119**	**1,550,614**

The accompanying notes are an integral part of these financial statements.

Consolidated Cash Flow Statements

For the year ended 31 December 2008

	Note	Year ended 31 December 2008 RMB'000	2007 RMB'000
Cash flows from operating activities			
Net cash inflows from operations	30	**37,425**	31,845
Interest paid		**(4,497)**	(7,294)
Interest received		**16,904**	4,553
Income tax paid		**(26,808)**	(4,474)
Net cash generated from operating activities		**23,024**	24,630
Cash flows from investing activities			
Purchases of property, plant and equipment		**(85,239)**	(79,040)
Proceeds from disposal of property, plant and equipment		**808**	7,116
Purchase of land use rights		**–**	(1,848)
Purchase of intangible assets		**(7,417)**	(2,670)
Acquisition of subsidiaries, net of cash acquired	32	**(215,031)**	(10,773)
Increase in investment in a jointly controlled entity		**(16,380)**	(33,620)
Decrease in restricted bank deposits		**82,610**	3,286
Increase in term deposits with initial terms of over three months		**(115,109)**	–
Increase in entrusted loans and structured deposits		**(121,000)**	–
Proceeds from entrusted loans and structured deposits		**670**	–
Purchase of financial assets at fair value through profit or loss	14	**(51,943)**	–
Net cash used in investing activities		**(528,031)**	(117,549)
Cash flows from financing activities			
Proceeds from short-term borrowings		**57,000**	163,500
Repayments of short-term borrowings		**(213,500)**	(121,266)
Repayments of long-term borrowings		**–**	(1,500)
Capital injections	17(a)	**–**	115,742
Issue of new shares	16(a)	**45,218**	922,658
Share issue expenses	17(a)	**(1,813)**	(52,596)
Net cash (used)/generated from financing activities		**(113,095)**	1,026,538
Net (decrease)/increase in cash and cash equivalents		**(618,102)**	933,619
Cash and cash equivalents, at beginning of the year		**976,654**	46,137
Exchange loss on cash and cash equivalents		**(50,634)**	(3,102)
Cash and cash equivalents at end of the year		**307,918**	976,654

The accompanying notes are an integral part of these financial statements.

1. GENERAL INFORMATION

Anton Oilfield Services Group (the 'Company') was incorporated in the Cayman Islands on 3 August 2007 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is PO Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively the 'Group') are principally engaged in drilling, completion, downhole operation, drilling tool and tubular manufacturing, and other regional services in the People's Republic of China (the 'PRC').

Prior to the incorporation of the Company and the completion of the reorganisation as described below (the 'Reorganisation'), the Group's businesses were carried out by the subsidiaries now comprising the Group. The subsidiaries now comprising the Group were controlled by Luo Lin (the 'Controlling Shareholder') before the Reorganisation.

In preparing for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Company acquired the entire equity interests in Anton Oilfield Services (Group) Limited ('Anton Oil') from Anton Oilfield Services Holdings Company ('Anton Holdings'), a company controlled by its Controlling Shareholder in August 2006 (the 'Reorganisation'). Thereafter the Company became the holding company of the subsidiaries comprised the Group.

The directors regard Pro Development Holdings Corp., a company incorporated in the British Virgin Islands and controlled by the Controlling Shareholder, as the ultimate holding company of the Company.

The Company listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the 'Main Board') on 14 December 2007.

These financial statements have been approved for issue by the Board of Directors on 24 March 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'). They have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Amendments and interpretations effective in 2008

- The International Accounting Standard ('IAS') 39, 'Financial instruments: Recognition and measurement', amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to IFRS 7, 'Financial instruments: Disclosures', introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1 July 2008. This amendment does not have any impact on the Group's financial statements, as the Group has not reclassified any financial assets.

- International Financial Reporting Interpretation Committee ('IFRIC') - Int 11, 'IFRS 2 – Group and treasury share transactions, 'provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Group's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Standards, amendments and interpretations to existing standards, that are relevant to the operations of the Group, but not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

- IFRS 8, 'Operating segments', IFRS 8 replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. The Group will apply IFRS 8 from 1 January 2009.

- IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply IAS 1 (Revised) from 1 January 2009.

- IAS 23 (Revised), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. This amendment will not have an impact on the Group as the option to capitalise the borrowing costs is already applied.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Standards, amendments and interpretations to existing standards, that are relevant to the operations of the Group, but not yet effective and have not been early adopted by the Group *(Continued)*

- IAS 27 (Revised), 'Consolidated and separate financial statements' (effective from 1 July 2009).The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.

- IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' - 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Group will apply the IAS 32 (Amendment) and IAS 1 (Amendment) from 1 January 2009, but it is not expected to have any impact on the Group's financial statements.

- IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply IFRS 2 (Amendment) from 1 January 2009, but it is not expected to have a material impact on the Group's financial statements.

- IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Standards, amendments and interpretations to existing standards, that are relevant to the operations of the Group, but not yet effective and have not been early adopted by the Group *(Continued)*

- International Accounting Standards Board ('IASB')'s annual improvements project published in May 2008.

  ➢ IAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009). The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The Group will apply the IAS 1 (Amendment) from 1 January 2009. It is not expected to have an impact on the Group's financial statements.

  ➢ IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. This eliminates the inconsistency of terms between IAS 39 and IAS 23. The Group will apply the IAS 23 (Amendment) prospectively to the capitalisation of borrowing costs on qualifying assets from 1 January 2009.

  ➢ IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the IAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.

  ➢ IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009). A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The Group will apply the IAS 38 (Amendment) from 1 January 2009, but it is not expected to have a material impact on the Group's financial statements.

  ➢ IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009).

    - This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.

    - The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition.

    - The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes this requirement so that IAS 39 is consistent with IFRS 8, 'Operating segments' which requires disclosure for segments to be based on information reported to the chief operating decision maker.

  The Group will apply the IAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the Group's consolidated income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Standards, amendments and interpretations to existing standards, that are relevant to the operations of the Group, but not yet effective and have not been early adopted by the Group *(Continued)*

- International Accounting Standards Board ('IASB')'s annual improvements project published in May 2008 *(Continued)*

  - IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January 2009). The benefit of a below-market rate government loan is measured as the difference between the carrying amount in accordance with IAS 39, 'Financial instruments: Recognition and measurement' and the proceeds received with the benefit accounted for in accordance with IAS 20. The amendment will not have an impact on the Group's operations as there are no loans received from the government.

  - IAS 27 (Amendment), 'Consolidated and separate financial statements' (effective from 1 January 2009). Where an investment in a subsidiary that is accounted for under IAS 39, Financial instruments: recognition and measurement, is classified as held for sale under IFRS 5, 'Non-current assets held for sale and discontinued operations', IAS 39 would continue to be applied. The amendment will not have an impact on the Group's operations because it is the Group's policy for an investment in subsidiary to be recorded at cost in the standalone accounts of each entity.

  - IAS 31 (Amendment) , 'Interests in joint controlled entity (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2009). Where an investment in joint controlled entity is accounted for in accordance with IAS 39, only certain rather than all disclosure requirements in IAS 31 need to be made in addition to disclosures required by IAS 32, 'Financial Instruments: Presentation' and IFRS 7 'Financial Instruments: Disclosures'. The amendment will not have an impact on the Group's operations, because it is the Group's policy for an investment in joint controlled entity to be equity accounted for in the consolidated financial statements.

  - IAS 38 (Amendment), 'Intangible assets'(effective from 1 January 2009). The amendment deletes the wording that states that there is 'rarely, if ever' support for use of a method that results in a lower rate of amortisation than the straight line method. The amendment will not currently have an impact on the Group's operations as all intangible assets are amortised using the straight line method.

  - There are a number of minor amendments to IFRS 7, "Financial instruments: Disclosures", IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10 , 'Events after the balance sheet date', IAS 18, 'Revenue', IAS 20 'Accounting for government grants and disclosure of government assistance' and IAS 34, 'Interim financial reporting' which are not addressed above. These amendments are unlikely to have an impact on the Group's financial statements and have therefore not been analysed in detail.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement (Note 32).

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.7). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to minority interests are also recorded in equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are also recorded in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Consolidation *(Continued)*

(c) Jointly controlled entities

Jointly controlled entities are those over which the Group has contractual arrangements to jointly share control with one or more parties, and whereby the Group together with the other ventures undertake an economic activity which is subject to joint control and none of the ventures has unilateral control over the economic activity. The Group's interest in jointly controlled entities is accounted for by equity method of accounting in the consolidated financial statements.

In the Company's balance sheet, the investment in a jointly controlled entity is stated at cost less provision for impairment losses. The result of the jointly controlled entity is accounted for by the Company on the basis of dividends received and receivable.

2.2 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

The Group's primary format for reporting segment information is business segment, with secondary information reported geographically.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'Functional Currency'). The financial statements are presented in Renminbi ('RMB'), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the Functional Currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Foreign currency translation *(Continued)*

(c) Group company

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each consolidated income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

2.4 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of items.

Construction in progress represents property, plant and equipment under construction and is stated at cost. This includes the costs of construction, plant and machinery and other direct costs. Construction in progress is not depreciated until such time as the relevant asset is completed and ready for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs or revalued amounts to their residual values over their estimated useful lives, as follows:

	Estimated useful life
Buildings	5 - 50 years
Machinery and equipment	5 - 10 years
Motor vehicles	5 - 10 years
Furniture, fixtures and others	5 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Property, plant and equipment *(Continued)*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. No depreciation is provided for construction in progress until they are completed and ready for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating costs', in the consolidated income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

2.5 Land use rights

Land use rights represent upfront prepayments made for the land use rights and leasehold land and are expensed in the income statements on a straight-line basis over the periods of the leases or when there is impairment, the impairment is expensed in the income statements.

2.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is tested for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives.

(c) Patents

Acquired patents are initially recorded at actual cost incurred to acquire and are amortised on a straight-line basis over their estimated useful lives.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Impairment of investment in subsidiaries and non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivable. The classification depends on the purpose for which the financial assets were acquired. Management determine the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. The Group's loans and receivables comprise 'trade and notes receivables', 'prepayments and other receivables' and 'cash and cash equivalents' in the balance sheet.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Financial assets *(Continued)*

2.8.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Gain and losses from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated income statement within 'other (losses)/gains, net', in the period in which they arise.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or a financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account. And the amount of the loss is recognised in the consolidated income statement within 'other operating costs'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'other operating costs' in the consolidated income statement.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.15 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 Employee benefits

(a) *Pension and other social obligations*

The Group has various defined contribution plans for pensions, housing fund and other social obligations in accordance with the local conditions and practices in the municipalities and provinces in which they operate. A defined contribution plan is a pension and / or other social benefits plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expenses when they are due.

(b) *Share-based compensation*

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

2.17 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) *Sales of goods*

Revenue associated with the sucker rods, oil pumps and other goods is recognised when the title to the goods has been passed to the customer, which is at the date when the customer receives and accepts the goods and collectability of the related receivables is reasonably assured.

(b) *Sales of services*

Sales of services are recognised in the accounting period in which the services are rendered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Revenue recognition *(Continued)*

(c) Lease income

Operating lease income is recognised over the term of the lease, based on the standard unit charge prescribed in the lease contracts, number of equipment leased out and the duration of lease period. All contracts are only for one year which is finished by the balance sheet date.

(d) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(e) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.18 Borrowing costs

Borrowing costs comprise interest incurred on borrowings, amortisation of discounts or premiums, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset. Other borrowing costs are recognised as expenses and included as finance costs in the period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) *The Group is the lessee*

Payments made under operating leases (net of any incentives received from the lessor), are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(ii) *The Group is the lessor*

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Lease income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

2.20 Government grants

Grants from the government are recognised at their fair values where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants related to cost are deferred and recognised in the income statement over the period necessary to match them with the related costs that they are intended to compensate.

2.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB, while the Group also has limited purchases and sales from overseas. Foreign exchange risk also arise from certain bank deposits denominated in United States dollar ('US$'), which came from the listing proceeds. The Group is exposed to foreign currency exchange risk primarily with respect to US$.

During the year end 31 December 2007 and 2008, the Group has not used any financial instrument to hedge the foreign exchange risk.

As at 31 December 2008, if RMB had strengthened/weakened by 3% against the US$ with all other variables held constant, profit for the year and equity attributable to the equity holders would have been RMB3,375,000 lower/higher mainly as a result of foreign exchange losses/gains on translation of US$-denominated cash and cash equivalent, trade receivables and accruals and other payables.

(ii) Price risk

The Group is exposed to equity index risk because investments held by the Group are classified on the consolidated balance sheet as financial assets at fair value through profit or loss, which are linked to Hang Seng equity index.

(iii) Fair value interest rate risk

The Group's interest-rate risk arises from interest-bearing assets mainly including entrusted loans, structured deposits and term deposits with initial terms of over three months, which all bear fixed interest rate and expose the Group to fair value interest-rate risk.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

The Group has concentrations of credit risk. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Group's historical experience in collection of trade and other receivables falls within the recorded allowance and the directors are of the opinion that adequate provision for uncollectible receivables has been made in the financial statements. The carrying amounts of bank deposits, trade and notes receivables, other receivables except for prepayments, entrusted loans, structured deposits and financial assets at fair value through profit or loss included in the balance sheets represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group's credit sales are only made to customers with appropriate credit history and the new customers are entities owned or managed by the Group's several major customers who have no default history.

(c) Liquidity risk

The liquidity risk of the Group is controlled by maintaining sufficient cash and cash equivalents, which is generated primarily from operating and financing activities.

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year	
	Group	
	As at 31 December	
	2008	2007
	RMB'000	RMB'000
Short-term borrowings	**7,132**	166,579
Trade and notes payables	**123,545**	60,217
Accruals and other payables	**215,934**	170,171
Current income tax liabilities	**22,822**	14,773
	369,433	411,740

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total borrowings include borrowings and trade and notes payables, as shown in the consolidated balance sheet. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus total borrowings.

The gearing ratios 31 December 2008 and 2007 are as follows:

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
Total borrowings	**130,545**	223,717
Total equity	**1,550,614**	1,389,769
Total capital	**1,681,159**	1,613,486
Gearing ratio	**8%**	14%

The increase in total equity in 2008 was due to profit from the operating activities for the year, and the net proceeds received from the over-allotment shares issued in January 2008.

3.3 Fair value estimation

The carrying amounts of the Group's financial assets including cash and cash equivalents, deposits in approved financial institutions, trade and other receivables, entrusted loans, structured deposits and financial liabilities including trade and other payables and short-term borrowings, approximate their fair values due to their short maturities.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in (Note 2.7). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of goodwill.

(b) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(c) Impairment of trade and other receivables

The Group's management makes provision for doubtful debts based on the assessment of the recoverability of trade and other receivables with reference to the extent and duration that the amount will be recovered. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables and doubtful debt expenses in the period in which such estimate has been changed.

Despite the significant increase in the gross balance of trade receivables as of 31 December 2008, impairment provision of trade receivables increased only slightly because the increase in gross trade receivables was mainly derived from the increase in sales to major customers with no default history.

Ageing analysis of past-due trade receivables is as follows:

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
1 - 6 months	**–**	–
6 months - 1 year	**–**	7,519
1 - 2 years	**16,000**	9,148
2 - 3 years	**5,139**	554
Over 3 years	**962**	203
	22,101	17,424

As at 31 December 2007 and 2008, majority of pass-due trade receivables were not impaired as the management considered such long ageing items were receivable from the customers with good cooperation and no default history in the past, therefore the risk of impairment was remote.

(d) Fair value of share options

The fair value of share options granted is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on the specific terms prescribed in the share option contracts and relevant market conditions at the grant dates.

5. SEGMENT INFORMATION

(a) Primary reporting format - business segment

The Group conducts its business within one business segment - the business of selling oilfield equipment and providing related services. As the products and services provided by the Group are subject to similar business risks, no segment information has been prepared by the Group for the year ended 31 December 2007 and 2008.

(b) Secondary reporting format - geographical segments

The Group's business operates in four main geographical areas, even though they are managed on a worldwide basis. The areas of operation are principally oilfield services and sales of equipment.

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Revenue		
PRC	**712,623**	477,932
Kazakhstan	**35,739**	643
Venezuela	**2,426**	11,715
Other countries	**12,478**	3,144
	763,266	493,434

Revenue is allocated based on the countries in which the customers are located.

5. SEGMENT INFORMATION *(Continued)*

(b) Secondary reporting format - geographical segments *(Continued)*

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
Total assets		
PRC	**1,787,961**	912,782
Cayman Islands	**72,343**	776,100
Hong Kong Special Administration Region ('Hong Kong')	**4,651**	109,569
Other countries	**8,738**	8,415
	1,873,693	1,806,866
Jointly controlled entity	**51,629**	34,109
	1,925,322	1,840,975

Total assets are allocated based on where the assets are located.

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Capital expenditure		
PRC	**335,655**	226,093
Other countries	**61**	19
	335,716	226,112

Capital expenditures are allocated based on where the assets are located.

6. PROPERTY, PLANT AND EQUIPMENT - GROUP

	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Furniture, fixtures and others RMB'000	Construction in progress RMB'000	Total RMB'000
As at 1 January 2007						
Cost	13,184	46,930	7,353	2,733	10,511	80,711
Accumulated depreciation	(1,526)	(5,150)	(1,194)	(1,448)	–	(9,318)
Net book value	11,658	41,780	6,159	1,285	10,511	71,393
Year ended 31 December 2007						
Opening net book value	11,658	41,780	6,159	1,285	10,511	71,393
Additions	2,800	30,384	4,368	4,137	45,448	87,137
Acquisition of subsidiaries (Note 32)	132	3,578	114	1,734	38	5,596
Transfer in/(out)	17,098	4,125	–	–	(21,223)	–
Reclassification	3,522	(3,688)	151	15	–	–
Depreciation charge	(1,118)	(6,406)	(1,531)	(871)	–	(9,926)
Disposals	(6,116)	(544)	(194)	–	–	(6,854)
Closing net book value	27,976	69,229	9,067	6,300	34,774	147,346
As at 31 December 2007						
Cost	30,115	82,263	11,061	8,805	34,774	167,018
Accumulated depreciation	(2,139)	(13,034)	(1,994)	(2,505)	–	(19,672)
Net book value	27,976	69,229	9,067	6,300	34,774	147,346

6. PROPERTY, PLANT AND EQUIPMENT - GROUP *(Continued)*

	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Furniture, fixtures and others RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2008						
Opening net book value	27,976	69,229	9,067	6,300	34,774	147,346
Additions	2,865	38,152	6,918	5,907	51,705	105,547
Acquisition of subsidiaries (Note 32)	11,951	2,413	1,097	279	1,821	17,561
Transfer in/(out)	37,874	6,148	1,752	46	(45,820)	–
Reclassification	–	(404)	1,360	(956)	–	–
Depreciation charge	(2,390)	(13,695)	(3,261)	(1,721)	–	(21,067)
Disposals	(51)	(673)	(72)	(147)	–	(943)
Closing net book value	78,225	101,170	16,861	9,708	42,480	248,444
As at 31 December 2008						
Cost	82,727	127,780	21,681	13,157	42,480	287,825
Accumulated depreciation	(4,502)	(26,610)	(4,820)	(3,449)	–	(39,381)
Net book value	78,225	101,170	16,861	9,708	42,480	248,444

7. LAND USE RIGHTS - GROUP

Land use rights represent the Group's prepayments for the leasehold land located in the PRC which are held on leases within 50 years. The movement is as follows:

	RMB'000
As at 31 December 2006	
Cost	13,293
Accumulated amortisation	(31)
Net book value	13,262
Year ended 31 December 2007	
Opening net book value	13,262
Additions	1,848
Amortisation charge	(9)
Closing net book value	15,101
As at 31 December 2007	
Cost	15,141
Accumulated amortisation	(40)
Net book value	15,101
Year ended 31 December 2008	
Opening net book value	15,101
Acquisition of subsidiaries (Note 32)	11,512
Amortisation charge	(541)
Closing net book value	26,072
As at 31 December 2008	
Cost	26,653
Accumulated amortisation	(581)
Net book value	26,072

8. INTANGIBLE ASSETS - GROUP

	Patents RMB'000	Good will RMB'000	Computer software RMB'000	Total RMB'000
Year ended 31 December 2007				
Opening net book value	—	—	—	—
Additions	—	—	2,670	2,670
Acquisition of subsidiaries (Note 32)	20,203	76,886	—	97,089
Amortisation charge	(685)	—	(2)	(687)
Closing net book value	19,518	76,886	2,668	99,072
As at 31 December 2007				
Cost or valuation	20,203	76,886	2,670	99,759
Accumulated amortisation and impairment	(685)	—	(2)	(687)
Net book value	19,518	76,886	2,668	99,072
Year ended 31 December 2008				
Opening net book value	**19,518**	**76,886**	**2,668**	**99,072**
Additions	**5,131**	**—**	**2,286**	**7,417**
Adjustment (Note 32)	**—**	**30,000**	**—**	**30,000**
Acquisition of subsidiaries (Note 32)	**—**	**158,811**	**—**	**158,811**
Amortisation charge	**(4,109)**	**—**	**(5)**	**(4,114)**
Closing net book value	**20,540**	**265,697**	**4,949**	**291,186**
As at 31 December 2008				
Cost or valuation	**25,334**	**265,697**	**4,956**	**295,987**
Accumulated amortisation and impairment	**(4,794)**	**—**	**(7)**	**(4,801)**
Net book value	**20,540**	**265,697**	**4,949**	**291,186**

8. INTANGIBLE ASSETS - GROUP *(Continued)*

Goodwill is allocated to the cash-generating units (CGUs) of the Group identified according to their operations. The carrying amount of goodwill is allocated to Beijing Hinen-Hitech Petroleum Technology Development Co., Ltd. (北京海能海特石油科技發展有限公司, 'Hinen-Hitech'), Beijing Huarme Petroleum Technology Co., Ltd. (北京華瑞美爾石油科技有限公司, 'Huarme'), Jilin Dongxin Oil Engineering Technoligy Co., Ltd. (吉林省東新石油工程技術有限公司, 'Jilin Dongxin') and Shandong Precede Petroleum Technology Co., Ltd. (山東普瑞思德石油技術有限公司, 'Shandong Precede') (Note 32).

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. The Company expects cash flows beyond the five-year period will be similar to that of the fifth year based on existing production capacity.

Key assumptions used for value-in-use calculations include the expected sales price, demands of the products and raw material cost of Hinen-Hitech, Huarme, Jilin Dongxin and Shandong Precede. Management determined these key assumptions based on past performance and its expectations on market development. Pre-tax discount rate used for value-in-use calculations is from 15% to 20%. The discount rates used are pre-tax and reflect specific risks relating to these subsidiaries. Management believes that any reasonably possible change in any of these key assumptions on which recoverable amounts of these subsidiaries are based may or may not cause carrying amounts of these subsidiaries to exceed their recoverable amounts.

Based on the assessments, no goodwill was impaired as at 31 December 2008.

9. INVESTMENT IN SUBSIDIARIES - COMPANY

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
Unlisted shares, at cost	**2,862,439**	2,862,439
Amounts due from a subsidiary*	**686,216**	—
	3,548,655	2,862,439

* The amounts due from a subsidiary are unsecured, interest free and with no fixed maturity dates. It is the directors' intention to convert these amounts due from a subsidiary into investment at cost in due course. Therefore the directors considered them as quasi-equity contributions which are stated at cost.

As at 31 December 2008, the Company directly or indirectly held equity interests in the following subsidiaries, all of which are unlisted and limited liability companies:

Company name	Place and date of incorporation and type of legal entity	Registered capital	Equity interest held by the Group	Principal activities
Directly held:				
Anton Energy Services Corp.	Canada, Limited liability company, 14 August 2007	—	100%	Sales and leasing of drilling equipments
Pure Energy Investments Limited ('Pure Energy')	Hong Kong, Limited liability company, 17 August 2007	HK$100	100%	Investment holding
Anton Oilfield Services International Company Limited ('Anton International')	Hong Kong, Limited liability company, 17 July 2008	HK$10,000	100%	Oilfield services and sales of equipment
Indirectly held:				
Hinen-Hitech	Beijing, the PRC, Limited liability company, 18 September 2000	RMB500,000	100%	Manufacturing and sales of petroleum drilling and sand control equipment

9. INVESTMENT IN SUBSIDIARIES - COMPANY *(Continued)*

Company name	Place and date of incorporation and type of legal entity	Registered capital	Equity interest held by the Group	Principal activities
Indirectly held: *(Continued)*				
Beijing Foyou Engineering Technology Limited (北京佛友工程技術有限責任公司, 'Foyou Tech')	Beijing, the PRC, Limited liability company, 12 December 2000	RMB5,100,000	100%	Oilfield services
Jilin Dongxin (Note 32(a))	Jilin, the PRC, Limited liability company, 1 September 2001	RMB5,500,000	100%	Oilfield services and sales of production equipment
Anton Oil	Beijing, the PRC, Limited liability company, 28 January 2002	US$131,000,000	100%	Oilfield services and sales of equipment
Xinjiang Tong'ao Oilfield Services Limited (新疆通奧油田技術服務有限公司, 'Xinjiang Tong'ao')	Xinjiang Uygur Autonomous Region, the PRC, Limited liability company, 21 February 2002	RMB51,000,000	100%	Oilfield services
Beijing Zhongji Hengtong Oilfield Technology Limited (北京中基恒通油井技術有限責任公司, 'Zhongji Hengtong')	Beijing, the PRC, Limited liability company, 26 August 2002	RMB500,000	100%	Development of oilfield technology
Beijing Xiguan Antong Testing Technology Limited (北京西管安通檢測技術有限責任公司, 'Xiguan Antong')	Beijing, the PRC Limited liability company, 17 September 2002	RMB10,000,000	51%	Test and Measurement of pipelines

9. INVESTMENT IN SUBSIDIARIES - COMPANY *(Continued)*

Company name	Place and date of incorporation and type of legal entity	Registered capital	Equity interest held by the Group	Principal activities
Indirectly held: *(Continued)*				
Beijing Anton Fenglei Machinery Company Limited (北京安東風雷機械有限責任公司, 'Anton Fenglei')	Beijing, the PRC, Limited liability company, 24 February 2004	RMB1,100,000	100%	Oilfield services
Beijing Tongsheng Well Engineering and Technology Limited (北京通盛威爾工程技術有限公司, 'Tongsheng Well')	Beijing, the PRC, Limited liability company, 24 December 2004	RMB11,000,000	100%	Oilfield services
Anton Tong'ao Technological Products Limited (安東通奧科技產業有限公司, 'Anton Tong'ao')	Xinjiang Uygur Autonomous Region, the PRC, Limited liability company, 15 December 2005	RMB60,000,000	100%	Manufacturing of rod casing
Huarme	Beijing, the PRC, Limited liability company, 17 April 2006	RMB500,000	100%	Manufacturing and sales of petroleum drilling and sand control equipment
Cangzhou Hinen-Hitech Petroleum Technology Development Co., Ltd. (滄州海能海特石油科技發展有限公司, 'Cangzhou Hinen-Hitech')	Cangzhou, Hebei Province, the PRC Limited liability company, 22 June 2006	RMB3,500,000	66.67%	Manufacturing and sales of petroleum drilling and sand control equipment

9. INVESTMENT IN SUBSIDIARIES - COMPANY *(Continued)*

Company name	Place and date of incorporation and type of legal entity	Registered capital	Equity interest held by the Group	Principal activities
Indirectly held: *(Continued)*				
Beijing Anton New Materials Technology Limited (北京安東新材料技術有限公司, 'Anton New Materials')	Beijing, the PRC, Limited liability company, 29 September 2006	RMB10,000,000	100%	Research and development of new materials and technology
Xinjiang Foyou Oil Engineering Construction Limited (新疆佛友石油工程建設有限責任公司 'Xinjiang Foyou')	Xinjiang Uygur Autonomous Region, the PRC, Limited liability company, 22 December 2006	RMB35,000,000	100%	Oilfield services
Shandong Precede (Note 32(b))	Shandong, the PRC, Limited liability company, 2 September 2008	RMB12,000,000	75%	Oilfield services and sales of production equipment

10. INVESTMENT IN A JOINTLY CONTROLLED ENTITY - GROUP

Investment in a jointly controlled entity of the Group represents the investment of 50% equity interest in Northern Heavy Anton Machinery Manufacturing Co., Ltd. (北重安東機械制造有限公司, 'Northern Heavy'), which is an unlisted and a limited liability company established on 30 October 2007 in the PRC.

	2008 **RMB'000**	2007 RMB'000
As at 1 January	**34,109**	—
Addition	**16,380**	33,620
Share of profit	**1,351**	489
Share of reserve	**(211)**	—
As at 31 December	**51,629**	34,109

10. INVESTMENT IN A JOINTLY CONTROLLED ENTITY - GROUP *(Continued)*

Company name	Place and date of incorporation and type of legal entity	Registered capital	Equity interest held by the Group	Principal activities
Northern Heavy	Inner Mongolia, the PRC, Limited liability company, 30 October 2007	RMB100,000,000	50%	Manufacturing and sales of drill collars and heavy-weight drill pipes

The following amounts represent the assets and liabilities, and sales and results of the jointly controlled entity.

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Assets:		
Non-current assets	**54,307**	45,809
Current assets	**110,562**	44,348
	164,869	90,157
Liabilities:		
Non-current liabilities	**–**	–
Current liabilities	**61,611**	21,940
	61,611	21,940
Net assets	**103,258**	68,217
Income	**407,912**	1,049
Expenses	**(405,210)**	(71)
Profit after income tax	**2,702**	978
Joint venture's commitments	**14,404**	8,761

There are no contingent liabilities relating to the Group's interest in the jointly controlled entity, and no contingent liabilities of the venture itself.

11. INVENTORIES - GROUP

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
Raw materials	**45,221**	37,740
Work-in-progress	**10,856**	28,873
Finished goods	**146,105**	52,957
Spare parts and others	**409**	1,518
	202,591	121,088

As at 31 December 2008 and 2007, all inventories were stated at cost.

12. TRADE AND NOTES RECEIVABLES - GROUP

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
Trade receivables, net (Note (a))	**443,343**	317,541
Notes receivables (Note (b))	**9,882**	1,460
	453,225	319,001

Notes:

(a) Ageing analysis of gross trade receivables at the respective balance sheet dates is as follows:

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
1 - 6 months	**323,065**	300,941
6 months - 1 year	**85,995**	10,265
1 - 2 years	**31,594**	12,535
2 - 3 years	**5,427**	554
Over 3 years	**962**	203
Trade receivables, gross	**447,043**	324,498
Less: Impairment of receivables	**(3,700)**	(6,957)
Trade receivables, net	**443,343**	317,541

(b) Notes receivables are bank acceptance with maturity dates within six months.

(c) As at 31 December 2008, RMB409,837,000 (31 December 2007: RMB316,633,000) and RMB43,388,000 (31 December 2007: RMB2,368,000) of trade and notes receivables were denominated in RMB and US$, respectively.

(d) The fair values of trade and notes receivables approximated their carrying values due to the short maturity.

(e) Most of the trade receivables are with credit terms of six months, except for retention money which would be collected one year after the completion of the sales.

12. TRADE AND NOTES RECEIVABLES - GROUP *(Continued)*

Note: *(Continued)*

(f) Movements of impairment of trade receivables are as follows:

	RMB'000
As at 1 January 2007	1,419
Acquisition of subsidiaries	6,204
Additions	306
Reversed	(972)
As at 31 December 2007	6,957
Acquisition of subsidiaries	801
Additions	1,938
Reversed	(5,168)
Written off	(828)
As at 31 December 2008	3,700

13. PREPAYMENTS AND OTHER RECEIVABLES – GROUP AND COMPANY

	As at 31 December			
	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advances to suppliers	**44,929**	30,263	**–**	–
Entrusted loans (Note (a))	**83,820**	–	**–**	–
Structured deposits (Note (b))	**40,000**	–	**–**	–
Other receivables	**26,008**	12,879	**593**	–
Amounts due from subsidiaries (Note (c))	**–**	–	**85,397**	96,531
	194,757	43,142	**85,990**	96,531

13. PREPAYMENTS AND OTHER RECEIVABLES – GROUP AND COMPANY *(Continued)*

Ageing analysis of prepayments and other receivables at the respective balance sheet dates is as follows:

	As at 31 December			
	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
1 - 6 months	**96,052**	32,303	**67,378**	96,531
6 months - 1year	**88,604**	7,060	**18,612**	—
1 - 2 years	**8,343**	3,189	**—**	—
2 - 3 years	**1,201**	275	**—**	—
Over 3 years	**557**	315	**—**	—
	194,757	43,142	**85,990**	96,531

Notes:

(a) Anton Oil entered into two entrusted loan contracts with a bank as at 31 December 2008. The two contracts, which have a total principal amount of RMB81,000,000, bear interest at 5.6% and 5.7% per annum with maturity dates on 20 January 2009 and 29 May 2009, respectively. Counterparties of the contracts are Chongqing Metro Corporation and Beijing Fengtai Comprehensive Investment Corp. Both of the entrusted loans are guaranteed by the China Development Bank.

(b) Anton Oil entered into a short-term structured deposit contract with Agricultural Bank of China in 2008. The structured deposit has a principal amount of to RMB40,000,000, bears interest at 6.625% per annum, and a maturity date on 11 September 2009.

(c) Amounts due from subsidiaries are unsecured, non-interest bearing and payable on demand.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – GROUP AND COMPANY

	As at 31 December			
	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
As at 1 January	**–**	–	**–**	–
Additions	**51,943**	–	**51,943**	–
Revaluation loss	**(18,084)**	–	**(18,084)**	–
As at 31 December	**33,859**	–	**33,859**	–

The financial assets at fair value through profit or loss included four unlisted US$ denominated security investment contracts entered into by the Company in July and August 2008, which are linked to the Hang Seng index with one year maturity. The principal of the financial assets at fair value through profit or loss was US$7,600,000 (equivalent to RMB51,943,000) in total and the fair value was US$4,954,092 (equivalent to RMB33,859,000) as at 31 December 2008 based on the underlying index. Change on the fair value of financial assets at fair value through profit or loss was recorded in 'other (losses)/gains, net' in the consolidated income statement (Note 24).

15. CASH AND BANK – GROUP AND COMPANY

	As at 31 December			
	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Restricted bank deposits (Note (a))	**–**	82,610	**–**	–
Term deposits with initial terms				
of over three months (Note (b))	**115,109**	–	**–**	–
Cash and cash equivalents				
- Cash on hand	**733**	472	**–**	–
- Deposits in bank	**307,185**	976,182	**37,891**	776,100
	423,027	1,059,264	**37,891**	776,100

Notes:

(a) As at 31 December 2007, the effective interest rate on restricted bank deposits was 5.75% per annum, with an average maturity of 99 days.

15. CASH AND BANK – GROUP AND COMPANY *(Continued)*

(b) As at 31 December 2008, the effective interest rates on term deposits with initial terms of over three months ranged from 2.88% to 4.14% per annum; and these deposits have an average maturity of 191 days.

Bank deposits and cash and cash equivalents were denominated in the following currencies:

	As at 31 December			
	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**375,932**	79,920	**–**	–
US$	**44,815**	975,848	**35,689**	772,822
HK$	**2,202**	3,278	**2,202**	3,278
Canada Dollar	**78**	218	**–**	–
	423,027	1,059,264	**37,891**	776,100

16. SHARE CAPITAL AND SHARE OPTIONS

(a) Share capital

	Authorised Number of shares	HKD'000
Upon incorporation of the Company On 3 August 2007 (Note(i))	1,000,000	100
Increase in authorised share capital (Note(ii))	3,499,000,000	349,900
As at 31 December 2007	3,500,000,000	350,000
As at 31 December 2008	3,500,000,000	350,000

	Number of shares issued and fully paid of HK$0.1 each	HKD'000	Share capital RMB'000
Upon incorporation of the Company			
On 3 August 2007 (Note(i))	1	—	—
Issue of shares arising from the Reorganisation (Note(iii))	999,999	100	97
Issue of shares for initial public offering (Note (iv))	520,000,000	52,000	49,052
Capitalisation issue (Note(v))	1,546,250,000	154,625	145,857
As at 31 December 2007	2,067,250,000	206,725	195,006
Net proceeds from over-allotment share issue (Note(vi))	25,804,000	2,580	2,405
As at 31 December 2008	2,093,054,000	209,305	197,411

Notes:

(i) The Company was incorporated on 3 August 2007 with an authorised capital of HK$100,000, divided into 1,000,000 shares of HK$0.1 each. One share was allotted and issued on the same date.

(ii) Pursuant to the resolutions in writing of the shareholder of the Company passed on 17 November 2007, the authorised share capital of the Company was increased from HK$100,000 to HK$350,000,000 by the creation of an additional 3,499,000,000 shares. As a result, the authorised share capital of the Company is HK$350,000,000 divided into 3,500,000,000 shares.

(iii) As a part of the Reorganisation, the Company acquired the entire equity interests in Anton Oil from Anton Holdings on 28 September 2007. In consideration, the Company issued and allotted 999,999 shares to Anton Holdings and credited the one nil-paid share as fully paid.

(iv) 520,000,000 shares of the Company with par value of HK$0.1 per share were issued and fully paid upon completion of its initial public offering. The resulting share capital and share premium was RMB49,052,000 and RMB873,606,000, respectively.

(v) The Company issued and capitalised HK$154,625,000, equivalent to RMB145,857,000, standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 1,546,250,000 shares.

(vi) Over-allotment shares were issued by the Company at HK$1.88 per share on 9 January 2008. The resulting share capital and share premium (net of share issue expenses) amounted to RMB2,405,000 and RMB39,407,000, respectively.

16. SHARE CAPITAL AND SHARE OPTIONS *(Continued)*

(b) Share options

Options to subscribe for an aggregate of 86,025,000 shares at an exercise price of HK$1.04, have been conditionally granted to 4 eligible participants by the Company under the Pre-IPO Share Option Scheme. The options are exercisable from the first anniversary of the service commencement date and have an option period of 25 months to 8 years, subject to different vesting schedules indicated in individuals' services agreements.

In 2008, options to subscribe for 12,350,000 shares and 6,000,000 shares at an exercise price of HK$1.634 and HK$0.62, respectively, have been conditionally granted to certain key employees and three Independent Non-executive directors by the Company under IPO Share Option Scheme. The options are exercisable from the first anniversary of the service commencement date and have an option period of 4 years, subject to different vesting schedules indicated in individuals' services agreements.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Average exercise price in HK dollar per share	Number of share options (thousands)
3 August 2007 (date of incorporation of the Company)	—	—
Granted	1.04	86,025
As at 31 December 2007		86,025
Granted (on 3 February 2008)	1.634	12,350
Granted (on 27 October 2008)	0.62	6,000
Forfeited	1.634	(350)
As at 31 December 2008		104,025

16. SHARE CAPITAL AND SHARE OPTIONS *(Continued)*

(b) Share options *(Continued)*

Share options outstanding (in thousands) at the end of the year have the following expiry date and exercise prices:

Expiry date	Exercise price HK dollar per share	Number of share options (thousands) As at 31 December 2008
2 October 2009	1.04	75,000
2 February 2012	1.634	12,000
16 October 2012	1.04	210
26 October 2012	0.62	6,000
9 October 2015	1.04	10,815
		104,025

The fair value of the options granted during the year ended 31 December 2008 determined using the Black-Scholes Option Pricing Model ranged from HK$0.158 to HK$0.576 per option. The significant inputs into the model were the exercise price shown above; current stock price on the date of grant at HK$1.62 and HK$0.52 respectively; expected dividend yield of 1.0%; vesting periods ranging from 1 to 3 years, risk-free rate ranging from 1.39% to 1.88%; annualised volatility ranging from 50.18% to 59.87%, expected option lives are 4 years.

The fair value of the options granted under the Pre-IPO Share Option Scheme determined using the Binomial Model ranged from HK$0.96 to HK$1.22 per option. The significant inputs into the model were the exercise price shown above; annual risk free rate ranging from 4% to 4.3%; expected volatility of 35%, expected option lives ranging from 25 months to 8 years and expected dividend yield of zero.

The total expense recognised in the income statement for the year ended 31 December 2008 for share options amounted to RMB35,403,000 (for the year ended 31 December 2007: RMB10,756,000) (Note 26), with a corresponding amount credited in capital reserve.

350,000 share options granted during the year ended 31 December 2008 were forfeited as a result of staff turn over.

17. RESERVES

(a) Reserves

	Group					
	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Retained earnings RMB'000	Exchange differences RMB'000	Total RMB'000
As at 31 December 2006	—	150,518	16,933	135,428	—	302,879
Profit for the year	—	—	—	113,000	—	113,000
Capital injection (Note (i))	—	115,742	—	—	—	115,742
Share premium from issue of shares for initial public offering (Note 16(a)(iv))	873,606	—	—	—	—	873,606
Share issue expenses	(80,238)	—	—	—	—	(80,238)
Capitalisation issue (Note 16(a)(v))	(145,857)	—	—	—	—	(145,857)
Share option scheme (Note 16(b))	—	10,756	—	—	—	10,756
Transfer to statutory Reserves (b)	—	—	3,925	(3,925)	—	—
Exchange differences	—	—	—	—	(235)	(235)
As at 31 December 2007	647,511	277,016	20,858	244,503	(235)	1,189,653
Profit for the year	—	—	—	68,463	—	68,463
Issue of new shares (Note 16(a)(vi))	42,813	—	—	—	—	42,813
Share issue expenses	(3,406)	—	—	—	—	(3,406)
Share option scheme	—	35,403	—	—	—	35,403
Acquisition of subsidiaries (Note 32)	—	(10,535)	—	—	—	(10,535)
Share of reserve of a jointly controlled entity	—	(211)	—	—	—	(211)
Transfer to statutory reserves (b)	—	—	4,093	(4,093)	—	—
Exchange differences	—	—	—	—	(96)	(96)
As at 31 December 2008	686,918	301,673	24,951	308,873	(331)	1,322,084

Note:

(i) The capital injection represents the additional capital injections in Anton Oil made by Anton Holdings, a company controlled by the Controlling Shareholder. The injection was settled entirely by cash.

17. RESERVES *(Continued)*

(a) Reserves *(Continued)*

	Company			
	Share premium RMB'000	Capital reserve RMB'000	Retained earnings RMB'000	Total RMB'000
As at 3 August 2007 (date of incorporation)	—	—	—	—
Loss for the period	—	—	(11,119)	(11,119)
Share issue arising from Reorganisation	—	2,862,342	—	2,862,342
Share premium from issue of shares for initial public offering (Note 16(a)(iv))	873,606	—	—	873,606
Share issue expenses	(80,238)	—	—	(80,238)
Capitalisation issue	(145,857)	—	—	(145,857)
Share option scheme	—	10,756	—	10,756
As at 31 December 2007	647,511	2,873,098	(11,119)	3,509,490
Issue of new shares (Note16(a)(vi))	**42,813**	**—**	**—**	**42,813**
Share issue expenses	**(3,406)**	**—**	**—**	**(3,406)**
Share option scheme	**—**	**35,403**	**—**	**35,403**
Loss for the year	**—**	**—**	**(94,782)**	**(94,782)**
As at 31 December 2008	**686,918**	**2,908,501**	**(105,901)**	**3,489,518**

(b) Statutory reserves

Subsidiaries incorporated in the PRC shall appropriate 10% of their annual statutory net profit (after offsetting any prior years' losses) to the statutory reserve fund account in accordance with the PRC Company Law and their articles of association. When balance of such reserve fund reaches 50% of each entity's share capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior years' losses or to increase capital after proper approval. However, except for offsetting prior years' losses, such statutory reserve fund must be maintained at a minimum of 25% of share capital after such usage. For the year ended 31 December 2008, 10% of statutory net profit of each entity registered in the PRC was appropriated to this reserve. This reserve is non-distributable.

18. SHORT-TERM BORROWINGS

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
Secured bank borrowings		
- Pledged	**–**	83,000
- Guaranteed	**–**	30,500
	–	113,500
Unsecured bank borrowings	**7,000**	50,000
	7,000	163,500

As at 31 December 2008, all short-term bank borrowings were denominated in RMB, with interest rates of 4.374% to 5.589% per annum (31 December 2007: 5.832% to 9.126%).

The fair value of short-term borrowings approximated their carrying value due to their short maturity period.

As at 31 December 2008, undrawn bank borrowing facilities of the Group amounted to approximately RMB163 million (31 December 2007: RMB20 million).

19. TRADE AND NOTES PAYABLES – GROUP

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
Trade payables	**89,856**	60,217
Trade payables to a related party (Note 33(c))	**4,542**	–
Notes payables	**29,147**	–
	123,545	60,217

Ageing analysis of trade payables and notes payables at the respective balance sheet dates is as follows:

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
less than 1 year	**115,563**	58,562
1 - 2 years	**6,593**	1,133
2 - 3 years	**868**	390
Over 3 years	**521**	132
	123,545	60,217

The fair value of trade payables approximated their carrying value due to their short maturity period.

20. ACCRUALS AND OTHER PAYABLES

	As at 31 December			
	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Customer deposits and receipts in advance	**1,368**	1,680	**–**	–
Amounts due to related parties (Note 33(c))	**–**	31,764	**–**	15,598
Accrued expenses	**23,980**	10,685	**2,400**	–
Payroll and welfare payable	**8,248**	2,930	**–**	–
Taxes other than income taxes payable (Note (a))	**69,904**	20,802	**–**	–
Consideration for acquisition of subsidiaries (Note 32)	**95,163**	88,500	**–**	–
Amounts due to subsidiaries (Note (b))	**–**	–	**15,440**	7,758
Others	**17,271**	13,810	**1,626**	7,218
	215,934	170,171	**19,466**	30,574

Notes:

(a) Taxes other than income taxes payable mainly comprise accruals for value-added tax and individual income tax.

(b) Amounts due to subsidiaries are unsecured, non-interest bearing and have no fixed term of repayment.

21. DEFERRED INCOME TAX – GROUP

Deferred income tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes related to the same fiscal authority.

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
Deferred tax assets:		
– Deferred tax asset to be recovered within 12 months	**532**	2,852
Deferred tax liabilities:		
– Deferred tax liabilities to be settled after more than 12 months	**1,782**	4,003
– Deferred tax liabilities to be settled within 12 months	**3,625**	1,042
	5,407	5,045
Deferred tax liabilities, net	**4,875**	2,193

21. DEFERRED INCOME TAX – GROUP *(Continued)*

The gross movement on the deferred income tax account is as follows:

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
As at 1 January	**2,193**	—
Acquisition of subsidiaries (Note 32)	**–**	3,019
Consolidated income statement charge/(credit)	**2,682**	(826)
As at 31 December	**4,875**	2,193

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities:

	Acquisition of subsidiaries RMB'000	**Withholding tax from investment income RMB'000**	**Total RMB'000**
As at 31 December 2006	—	—	—
Acquisition of subsidiaries (Note 32)	5,149	—	5,149
Credited to the income statement	(104)	—	(104)
As at 31 December 2007	5,045	—	5,045
Remeasurement of deferred tax – change in PRC tax rate due to entitlement of tax holiday approved in 2008	(1,596)	—	(1,596)
(Credited) / charged to the income statement	(1,042)	3,000	1,958
As at 31 December 2008	2,407	3,000	5,407

21. DEFERRED INCOME TAX – GROUP *(Continued)*

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows *(Continued)*:

Deferred tax assets:

	Tax losses RMB'000	Impairment provision of trade receivables and inventories RMB'000	Total RMB'000
As at 31 December 2006	—	—	—
Acquisition of subsidiaries (Note 32)	—	2,130	2,130
Credited to the income statement	646	76	722
As at 31 December 2007	646	2,206	2,852
Remeasurement of deferred tax – change in PRC tax rate due to entitlement of tax holiday approved in 2008	—	(355)	(355)
Charged to the income statement	(646)	(1,319)	(1,965)
As at 31 December 2008	—	532	532

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB983,000 (2007: nil) in respect of losses amounting to RMB3,930,000 (2007: nil) that can be carried forward against taxable income as the Group is going to close the relevant subsidiaries.

22. REVENUE

Analysis of revenue by category

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Sales of goods	**502,688**	380,286
Sales of services	**260,578**	113,148
	763,266	493,434

23. EXPENSE BY NATURE

Operating profit is arrived at after charging the following:

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Losses/(gains) on disposal of property, plant and equipment	**135**	(262)
Addition for impairment of receivables	**1,938**	—
Reversal for impairment of receivables	**(5,168)**	(666)
Written off trade receivables	**(828)**	—
Sales tax and surcharges	**7,321**	3,162
Depreciation	**21,067**	9,926
Amortisation of intangible assets and land use rights	**4,655**	696
Auditors' remuneration	**3,700**	2,900

24. OTHER (LOSSES)/GAINS, NET

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Government grants and subsidies	**–**	423
Financial assets at fair value through profit or loss (Note 14):		
– fair value loss	**(18,084)**	–
Income from entrusted loans and structured deposits	**3,490**	–
Others	**43**	465
	(14,551)	888

25. FINANCE COSTS, NET

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Interest income	**18,015**	4,553
Interest expenses on bank borrowings	**(4,497)**	(8,104)
Exchange loss, net	**(50,538)**	(2,867)
Bank surcharges and others	**(663)**	(128)
	(37,683)	(6,546)

26. STAFF COSTS

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Wages, salaries and allowances	**81,255**	35,970
Housing subsidies (Note (a))	**2,404**	849
Contributions to pension plans (Note (b))	**3,126**	1,641
Share option costs (Note 16(b))	**35,403**	10,756
Welfare and other expenses	**3,955**	659
	126,143	49,875

Notes:

(a) Housing subsidies mainly include the Group's contributions to government-sponsored housing funds ranging from 8% to 12% of the employees' salaries for the Group's employees of the PRC.

(b) This represents the Group's contributions to defined contribution pension plans organised by respective municipal and provincial governments of the PRC at 20% of the salaries for the Group's employees and depending on the applicable local regulations, the contributions are subject to a certain ceiling.

The Group has no other material obligations for the payment of pensions and other post-retirement benefits of employees or retirees other than those disclosed above.

(c) Emoluments of directors and five highest paid individuals

The remuneration of every director for the year ended 31 December 2008 is set out below:

	For the year ended 31 December 2008				
Directors	**Fees RMB'000**	**Basic Salaries and Allowances RMB'000**	**Bonus RMB'000**	**Retirement benefits and others RMB'000**	**Total RMB'000**
Luo Lin	–	845	–	15	860
Ma Jian	–	754	–	21	775
Pan Weiguo	–	754	–	21	775
Wang Mingcai*	300	–	–	–	300
Zhu Xiaoping*	300	–	–	–	300
Zhang Yongyi*	300	–	–	–	300
	900	2,353	–	57	3,310

* 3,600,000 share options were granted to three independent non-executive directors in February 2008, with total expense recognised in the income statement for the year ended 31 December 2008 amounted to RMB1,159,000 which are not included in this summary.

26. STAFF COSTS *(Continued)*

Notes: *(Continued)*

(c) Emoluments of directors and five highest paid individuals *(Continued)*

	For the year ended 31 December 2007				
Directors	**Fees RMB'000**	**Basic Salaries and Allowances RMB'000**	**Bonus RMB'000**	**Retirement benefits and others RMB'000**	**Total RMB'000**
Luo Lin	—	480	—	5	485
Ma Jian	—	371	—	9	380
Pan Weiguo	—	330	—	8	338
Wang Mingcai	13	—	—	—	13
Zhu Xiaoping	13	—	—	—	13
Zhang Yongyi	13	—	—	—	13
	39	1,181	—	22	1,242

(d) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2007: three) directors whose emoluments are reflected in the analysis presented above. The emolument payable to the other two (2007: two) individuals during the year are as follows:

	Year ended 31 December	
	2008 RMB'000	2007 RMB'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	**1,862**	719
Contributions to pension schemes	**20**	4
	1,882	723

The emoluments fell within the following bands:

	Number of individuals	
	2008	2007
Emoluments bands		
RMB nil – RMB 1,000,000	**4**	5
RMB 1,000,000 – RMB 1,500,000	**1**	—
	5	5

(e) During the years ended 31 December 2008 and 2007, no directors or the five highest paid individuals of the Group waived any emoluments and no emoluments were paid by the Group to any of the directors or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

27. INCOME TAX EXPENSE

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

PRC enterprise income tax ('EIT') is provided on the basis of the profits of the PRC established subsidiaries for statutory financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes. The applicable enterprise income tax rate for the subsidiaries of the Group was 25% in 2008 (for the year ended 31 December 2007: 33%), based on the relevant PRC tax laws and regulations, except that certain subsidiaries which are taxed at preferential tax rates as detailed below. The statutory income tax is assessed on an individual entity basis, based on their results of operations. The commencement dates of tax holiday period of each entity are individually determined.

Pursuant to New and High Technology Enterprises Certificate issued by the Science and Technology Committee, the Finance Bureau of Beijing, the State Tax Bureau of Beijing City, Beijing Local Taxation Bureau and Guo Fa [2007] No. 39, Anton Oil, Tongsheng Well, Hinen-Hitech, Huarme, being New and High Technology Enterprises and domiciled in New and High Technology Areas, have been granted a preferential rate of 15% and a tax holiday of 3-year exemption, starting from their first operating year, followed by a 50% reduction of the preferential rate from the fourth to the sixth year.

Pursuant to Ba Kai Guo Shui Ban [2008] No. 1 issued by the State Tax Bureau of Bazhou Technical Economic Development Area, Korla, Xinjiang Uygur Autonomous Region, as a newly set up enterprise in the western area of the PRC, Anton Tong'ao is exempted from EIT during 2006 to 2010.

27. INCOME TAX EXPENSE *(Continued)*

The applicable EIT tax rates of the Group during years ended 31 December 2008 and 2007 are detailed as follows:

	Year ended 31 December	
	2008	2007
The Company	**0%**	0%
Anton Oil	**15%**	7.5%
Foyou Tech	**25%**	15%
Xinjiang Tong'ao	**25%**	33%
Zhongji Hengtong	**Note (a)**	Note (a)
Xiguan Antong	**25%**	7.5%
Anton Fenglei	**25%**	7.5%
Tongsheng Well	**7.5%**	–
Anton Tong'ao	**–**	–
Anton New Materials	**25%**	33%
Xinjiang Foyou	**Note (b)**	33%
Hinen-Hitech	**15%**	15%
Cangzhou Hinen-Hitech	**25%**	–
Huarme	**–**	–
Jilin Dongxin	**25%**	NA
Shandong Precede	**25%**	NA
Anton Energy Services Corp.	**29.5%**	32%
Anton International	**17.5%**	NA
Pure Energy	**17.5%**	17.5%

Notes:

(a) The EIT of Zhongji Hengtong is levied at 25% (2007: 27%) of the approved taxable income which is calculated as total revenue multiplied by 6% (2007: 8%).

(b) Pursuant to Guo Shui Zi [2008] No. 001 issued by the State Tax Bureau of Bazhou Technical Economic Development Area, Korla, Xinjiang Uygur Autonomous Region, the EIT of Xinjiang Foyou is levied at 25% of the approved taxable income which is calculated as total revenue multiplied by 8%.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the 'new CIT Law'), which is effective from 1 January 2008. According to the new CIT Law, both domestic and foreign invested enterprise will be subject to a single income tax rate of 25%. The recognition of deferred tax assets and liabilities has taken into consideration the impact of the new CIT Law.

27. INCOME TAX EXPENSE *(Continued)*

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Current income tax		
- PRC profit tax	**30,772**	14,103
- Other	**(181)**	880
Deferred income tax (Note 21)		
- Deferred tax relating to the origination and reversal of temporary differences	**3,923**	(826)
- Deferred tax resulting from a decrease in PRC tax rate	**(1,241)**	—
	33,273	14,157

The taxation of the Group's profit before tax differs from the theoretical amount that would arise using applicable tax rates of the Group companies as follows:

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Profit before income tax	**105,418**	127,314
Tax calculated at applicable tax rates	**36,061**	37,405
Preferential tax rates and tax exemption on the income of certain subsidiaries	**(23,974)**	(32,877)
Losses incurred by a company registered in Cayman Islands with zero tax rate	**27,785**	3,670
Income not subject to taxation	**(12,189)**	(328)
Expenses not deductible for taxation purposes	**3,209**	6,287
Tax losses for which no deferred income tax asset was recognised	**983**	—
Remeasurement of deferred tax — change in PRC tax rate due to entitlement of tax holiday approved in 2008	**(1,241)**	—
Withholding tax from investment income	**3,000**	—
Others	**(361)**	—
Income tax expense	**33,273**	14,157

28. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2008	2007
Profit attributable to equity holders of the Company (RMB'000)	**68,463**	113,000
Weighted average number of ordinary shares in issue (thousands of shares) (Note)	**2,092,488**	1,572,894
Basic earnings per share (expressed in RMB per share)	**0.03**	0.07

Note:

The weighted average number of shares for the purpose of basic earnings per share has been retrospectively adjusted for the effects of the 1 share issued upon the incorporation of the Company, the 999,999 shares issued during the reorganisation of the Group, the capitalisation issue of 1,546,250,000 ordinary shares, which are deemed to have been in issue throughout the year ended 31 December 2007.

(b) Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at 31 December 2008, the only dilutive factor of the Company was the outstanding share options. For the purpose of calculating diluted earnings per share, the Company assumed the outstanding share options had been exercised upon the grant dates of the options. Meanwhile, a calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares from 1 January 2008 to 31 December 2008) based on the monetary value of the subscription rights attached to outstanding share options, which are deducted from the total number of outstanding share options to determine the number of diluted shares deemed to be issued at no consideration.

	Year ended 31 December	
	2008	2007
Profit attributable to equity holders of the Company (RMB'000)	**68,463**	113,000
Weighted average number of ordinary shares in issue (thousands of shares)	**2,092,488**	1,572,894
Adjustments for assumed conversion of share options (thousands of shares)	**13,760**	9,064
Weighted average number of ordinary shares for diluted earnings per share (thousands of shares)	**2,106,248**	1,581,958
Diluted earnings per share (expressed in RMB per share)	**0.03**	0.07

29. DIVIDENDS

On 24 March 2009, the directors recommended the payment of a final dividend of RMB0.02723 per ordinary share, totaling RMB57,000,000, which is to be paid out of the share premium account of the Company. Such dividend is subject to the approval by the shareholders at the next Annual General Meeting. These financial statements do not reflect this dividend payable.

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

Reconciliation of profit for the year to net cash inflows generated from operations:

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Profit for the year	**72,145**	113,157
Adjustments for:		
Property, plant and equipment		
- depreciation charge (Note 23)	**21,067**	9,926
- net loss / (gain) on disposals (Note 23)	**135**	(262)
Amortisation of land use rights and intangible assets (Note 23)	**4,655**	696
Reversal of impairment of receivables (Note 23)	**(4,058)**	(666)
Charge of share option scheme (Note 26)	**35,403**	10,756
Fair value loss on financial assets at fair value through profit or loss (Note 24)	**18,084**	—
Investment gains from entrusted loans and structured deposits (Note 24)	**(3,490)**	—
Share of profit of a jointly controlled entity	**(1,351)**	(489)
Net foreign exchange loss (Note 25)	**50,538**	2,867
Interest income (Note 25)	**(18,015)**	(4,553)
Interest expenses on bank borrowings (Note 25)	**4,497**	8,104
Income tax expense	**33,273**	14,157
Changes in working capital:		
Inventories	**(67,464)**	(56,012)
Trade and notes receivables	**(121,580)**	(59,042)
Prepayments and other receivables	**(22,742)**	4,475
Trade and notes payables	**46,287**	(2,853)
Accruals and other payables	**(9,959)**	(8,416)
Net cash inflows from operations	**37,425**	31,845

31. COMMITMENTS

(a) Capital commitments

Capital commitments related to investments in property, plant and equipment and a jointly controlled entity at the balance sheet date but not yet provided for in the balance sheets were as follows:

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
Contracted but not provided for		
- Property, plant and equipment	**1,407**	4,722
- Investment in a jointly controlled entity	**–**	16,380
	1,407	21,102

(b) Operating lease commitments – where the Group is the leasee:

The Group leases various offices and warehouses under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
No later than 1 year	**7,697**	6,820
1 to 2 years	**5,189**	5,236
2 to 3 years	**5,467**	5,189
3 to 4 years	**3,940**	5,467
4 to 5 years	**611**	3,940
Over 5 years	**–**	611
	22,904	27,263

32. BUSINESS COMBINATION

(a) Acquisition of Jilin Dongxin in 2008

On 13 March 2008, the Group acquired 100% interest in Jilin Dongxin from independent third parties. The consideration was RMB36,711,000.

Details of net assets acquired, goodwill and related cash flow arising from the acquisition are as follows:

	RMB'000
Purchase consideration	
– Cash paid	27,414
– Credited to other payables	9,297
	36,711
Fair value of net assets acquired	(10,386)
Goodwill	26,325

	Acquiree's carrying amount RMB'000 (Unaudited)	Fair Value RMB'000
Property, plant and equipment	**481**	400
Inventories	**445**	607
Trade and notes receivables	**8,584**	8,584
Prepayments and other receivables	**5,103**	5,103
Cash and bank balances	**1,166**	1,166
Trade payables	**(177)**	(177)
Accruals and other payables	**(5,297)**	(5,297)
Net assets attribute to the equity holders of the acquirees	**10,305**	10,386
Net assets acquired (100%)		10,386
Purchase consideration settled in cash		27,414
Cash and cash equivalents in subsidiary acquired		(1,166)
Cash outflow on acquisition		26,248

The acquired business contributed revenue of RMB30,602,000 and net profit of RMB7,467,000 to the Group for the period from 13 March 2008 to 31 December 2008. If the acquisition had occurred on 1 January 2008, the acquired business would have contributed unaudited revenue and unaudited profit for the year of RMB30,602,000 and RMB4,767,000 to the Group, prior to intra-group elimination with the Group, respectively.

32. BUSINESS COMBINATION *(Continued)*

(b) Acquisition of Shandong Precede in 2008

On 16 September 2008, the Group acquired 70% interest in Shandong Precede from independent third parties with a cash consideration of RMB160,000,000. Shandong Precede was incorporated on 2 September 2008.

	RMB'000
Purchase consideration	
– Cash paid	109,350
– Credited to other payables	50,650
	160,000
Fair value of net assets acquired	(27,514)
Goodwill	132,486

	Acquiree's carrying amount RMB'000 (Unaudited)	**Fair Value RMB'000**
Property, plant and equipment	**17,161**	17,161
Land use right	**11,512**	11,512
Inventories	**13,432**	13,432
Prepayments and other receivables	**2,283**	2,283
Cash and bank balances	**3,000**	3,000
Accruals and other payables	**(8,082)**	(8,082)
Net assets attribute to the equity holders of the acquirees	**39,306**	39,306
Net assets acquired (70%)		27,514
Purchase consideration settled in cash		109,350
Cash and cash equivalents in subsidiary acquired		(3,000)
Cash outflow on acquisition		106,350

The acquired business contributed revenue of RMB24,101,000 and net profit of RMB9,253,000 to the Group for the period from 16 September 2008 to 31 December 2008.

On 25 September 2008, Anton Oil injected RMB50,000,000 to Shandong Precede for an additional 5% equity interest. After the completion of this share transfer, Anton Oil holds 75% interest in Shandong Precede. For this purchase from minority interests, the difference between the consideration paid and the relevant share of the carrying value of net assets of Shandong Precede acquired, amounting to RMB10,535,000 was deducted from equity.

32. BUSINESS COMBINATION *(Continued)*

(c) Acquisition of Hinen-Hitech and Huarme in 2007

On 5 November 2007, the Group acquired 100% interest in Hinen-Hitech and Huarme from independent third parties via one Share Purchase Agreement. The consideration of this package deal is RMB150,000,000. The Group managed the two entities as one business.

Details of net assets acquired, goodwill and related cash flow arising from the acquisition are as follows:

	RMB'000
Purchase consideration	180,000
Fair value of net assets acquired	(73,114)
Goodwill	106,886

During the year ended 31 December 2008, the purchase consideration of Hinen-Hitech increased by RMB30,000,000 due to the fulfillment of certain criteria prescribed in the Share Purchase Agreement. Therefore, the goodwill increased by RMB30,000,000.

	Acquiree's carrying amount RMB'000 (Unaudited)	Fair Value RMB'000 (Unaudited)
Property, plant and equipment	**4,637**	5,596
Intangible assets	**—**	20,203
Deferred tax assets	**2,130**	2,130
Inventories	**14,961**	14,961
Trade and notes receivables	**61,494**	61,494
Prepayments and other receivables	**11,171**	11,171
Cash and bank balances	**13,227**	13,227
Trade payables	**(32,985)**	(32,985)
Accruals and other payables	**(13,955)**	(13,955)
Long-term borrowings	**(1,500)**	(1,500)
Deferred tax liabilities	**—**	(5,149)
Minority Interests	**(2,065)**	(2,079)
Net assets attribute to the equity holders of the Acquirees	**57,115**	73,114
Net assets acquired (100%)		73,114
Purchase consideration settled in cash in 2007		24,000
Cash and cash equivalents in subsidiary acquired		(13,227)
Cash outflow on acquisition in 2007		10,773

32. BUSINESS COMBINATION *(Continued)*

(c) Acquisition of Hinen-Hitech and Huarme in 2007 *(Continued)*

The acquired business contributed revenue of RMB36,657,000 and net profit of RMB13,268,000 to the Group for the period from 5 November 2007 to 31 December 2007. If the acquisition had occurred on 1 January 2007, the acquired business' contribution to the Group's consolidated revenue would have been RMB123,879,000 and to the net consolidated profit attributable to equity holders of the Company would have been RMB32,864,000 for the year ended 31 December 2007.

33. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management of the Group are also considered as related parties.

(a) The following companies and persons are related parties of the Group during the years ended 31 December 2008 and 2007:

Names of related parties	Nature of relationship
Luo Lin	Controlling Shareholder
Anton Energy Services Limited	Controlled by the same ultimate controlling party
Anton Holdings	Controlled by the same ultimate controlling party
Yinchuan Tongsheng Well Engineering Technology Limited	Controlled by the same ultimate controlling party
Ma Jian	Key management
Pan Weiguo	Key management
He Zhigang	Key management
Northern Heavy	Jointly controlled entity of Anton Oil

33. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with related parties

Save as disclosed elsewhere in this report, during the year ended 31 Decebmer 2008, the following transactions were carried out with related parties:

	Year ended 31 December			
	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Purchases of goods				
Northern Heavy (Note (i))	**78,028**	–	**–**	–
Sales of goods				
Northern Heavy (Note (i))	**1,068**	–	**–**	–
Payments of the Group on behalf of related parties				
Anton Holdings	**4,758**	–	**4,758**	–
Luo Lin	**–**	550	**–**	–
Pan Weiguo	**–**	6	**–**	–
Ma Jian	**–**	312	**–**	–
He Zhigang	**–**	2,493	**–**	–
	4,758	3,361	**4,758**	–

Note:

(i) Goods are sold and purchased based on the price lists in force and terms that would be available to third parties.

	Year ended 31 December			
	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Payments of the related parties on behalf of the Group				
Luo Lin	**–**	109	**–**	–
Ma Jian	**–**	109	**–**	–
He Zhigang	**–**	37	**–**	–
Yinchuan Tongsheng Well Engineering Technology Limited	**–**	1,154	**–**	–
Anton Holdings	**–**	31,764	**–**	15,598
	–	33,173	**–**	15,598

33. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related party

	As at 31 December			
	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payable				
Northern Heavy (Note 19)	**4,542**	–	**–**	–
Accruals and other payables				
Anton Holdings (Note 20)	**–**	31,764	**–**	15,598

Balances with related parties were all unsecured, non-interest bearing and had no fixed repayment terms.

(d) Key management compensation

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**8,025**	3,777
Pension scheme	**100**	30
Share-based payments	**3,973**	1,630
	12,098	5,437

34. SUBSEQUENT EVENTS

On 24 March 2009, the directors of the Company proposed to distribute RMB57,000,000 dividend for the year ended 31 December 2008. This dividend is subject to the approval of shareholders at the annual general meeting.